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Annual Meetings

Measures to Promote Global Economic Recovery Need to Be Reinforced

The prospects for the world economy, the initiatives needed to improve them—including measures to restore stability in the currency markets—and the outlook for the economies of Eastern Europe and the states of the former U.S.S.R. were the main themes of the Forty-Seventh Annual Meetings of the Boards of Governors of the IMF and the World Bank, which were held in Washington on September 22–24.

In their addresses at the plenary sessions, which were chaired by Morocco's Minister of Finance, Mohamed Berrada, Governors also focused on progress in the economies of the developing countries, many of which have adopted major programs of stabilization and structural reform; prospects for the world trading system and, in particular, the Uruguay Round of multilateral trade negotiations; developments in the debt strategy and *(Please turn to page 308)*

IMF Managing Director Michel Camdessus (left), Annual Meetings Chairman Mohamed Berrada, and World Bank President Lewis Preston.

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ANNUAL MEETINGS

Mr. Berrada's Opening Address . . .

Sustainable Growth Calls For More Policy Coordination and Consistency

Sustainable growth, said Mohamed Berrada, Chairman of the 1992 Annual Meetings of the IMF and the World Bank, in his opening address, is vital to all segments of the world economy.

It is as essential to the viability of the developing countries as it is to the heavily indebted middle-income countries that hope to discharge their debt by exporting to industrial countries. It is as critical to the formerly planned economies that wish to meet their saving and investment needs as it is to the industrial countries that are struggling with large budget deficits and high unemployment.

Berrada: the IMF should strengthen its surveillance over the policies of the major industrial countries.

But with such a broad consensus on the need for sustained growth, Berrada asked, why has the resumption of growth proved so elusive? He pointed to three obstacles:

- lack of coordination of economic and financial policies in an increasingly interdependent world;
- slow progress toward establishing a more open and transparent system of international trade relations; and
- persistent external debt problems in the developing world.

Sustainable growth, he emphasized, requires more coordination and more consistency among countries as well as more stringency in economic management. He called upon the IMF to "exercise more extensive and effective supervision over the macroeconomic policies of the major industrial countries" and to facilitate improved coordination so that the functioning of the monetary system would be enhanced and the costs of adjustment shared more equitably.

In the area of international trade, Berrada noted the trend toward regional arrangements but cautioned that they should not be allowed to become discriminatory trade blocs. Growth in developing countries depends largely on unimpeded access to the markets of the industrial countries, he said.

According to Berrada, developing countries also confront difficult choices between the needs of present and future generations. He urged these countries not to flinch and called upon industrial as well as developing countries to adopt the policies necessary to preserve the environment.

He also argued that "the sustained resumption of growth requires a favorable political environment." Democracy represents the best guarantee, he said, "that growth will be based on sound and sustained foundations . . . ."

In closing, Berrada noted the crucial role that the Bretton Woods institutions would play in seeking a resumption of sustainable, noninflationary growth. With regard to the IMF, he believed it was imperative that quota increases under the Ninth General Review of Quotas enter into force as soon as possible. He expressed the hope that negotiations on the Tenth General Review of Quotas, already much delayed, would begin as soon as possible.

Given increasing pressures on world liquidity, he also favored a resumption of SDR allocations. And he applauded the IMF Executive Board's decision to extend the commitment period for the utilization of resources under the enhanced structural adjustment facility through November 30, 1993.

Berrada also commended the World Bank Group for strengthening its efforts to promote sustainable growth, reduce poverty, and protect the environment. He noted the Bank's progress in enhancing the role of women and that of the private sector in development.

The increasingly universal nature of the membership of the IMF and the World Bank only intensifies the importance of their tasks and the necessity of giving them undivided support, Berrada concluded.

Managing Director's Opening Address . . .

Global Interdependence Offers Both Challenges and Opportunities

Following is the text of the opening remarks by Michel Camdessus, Chairman of the Executive Board and Managing Director of the IMF, delivered on September 22 to the plenary sessions in Washington, D.C.:

Mr. Chairman, Governors, I welcome you to the first Annual Meeting of a Fund that is now truly a global institution. The mere fact that we welcome today the Governors of 15 countries that have joined us since the Bangkok meetings illustrates the unprecedented transformation that is occurring. Our institutions—the Fund and the World Bank—will soon be enriched, both in their Executive Boards and in their staffs, by the experience and history of the new members.

Camdessus: the level of IMF financial assistance is rising.

In this transformation, the Fund is a microcosm of the world at large. The number of independent countries has proliferated and the world has become one, as the old divides—North-South, East-West—have lost much of their significance. The distribution of economic power has also become more equal. Yes, the days of hegemonies have gone. And we see another fundamental change. Many nations have completely changed their minds about the way they wish to organize their economies and their relations with the rest of the world. The schism that divided the world for half a century has disappeared. We are entering a time of global interdependence that holds great potential to benefit mankind.

Yet, as we look around the world, there is much that could jeopardize this promise: Armed conflicts in many regions; ethnic and national tensions that threaten to escalate; Starvation and deprivation that blight the prospects for millions of children; endemic poverty and increasing evidence of widening income disparities within and between countries; high unemployment, even in the rich industrial countries; and widespread human suffering in the countries struggling to transform their economic systems . . .

This is our world, with its astonishing mixture of promises and problems! But people have the capacity to face these problems. The initiative and cooperation of governments and international institutions can achieve much and could create better prospects for all. We see opportunities for such action, and encouraging signs of serious efforts in this direction, in all parts of the world.

This morning, let us narrow our focus and consider how to give an added boost to sound policies and genuine cooperation in three areas:

- in the industrial countries, which are striving to rekindle growth, create jobs, and restore confidence;
- in the countries that formerly had central planning and are striving to carry out fundamental reforms; and
- in the developing countries, where overall performance has been more encouraging and where a number of countries offer inspiring examples to all.

* * * *

In the industrial countries, the immediate need is for action to re-establish stability in financial markets and reinforce the basis for sustainable economic growth.

The recent turbulence in markets has been related partly to political circumstances, but also to concerns about economic policies. There has been:

- a loss of confidence resulting from inadequate fiscal policies in several large industrial countries and the resulting overburdening of monetary policy;
- the resulting wide gaps between short-term interest rates in Europe and in North America; and
- market uneasiness because the key players had different views about the appropriate stance of policies.

What can we do now, after such turbulence?

First, of course, I am confident that our European colleagues will draw useful additional lessons from this expe-

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rience, as they did on other occasions when their system experienced tensions. They can reinforce further their monetary cooperation. This system has clearly improved exchange rate stability in Europe, it has provided an effective spur to more disciplined monetary and fiscal policies, and it has the potential to contribute significantly to a stronger performance of the world economy.

And there is a broader lesson to be drawn—that we need more vigorous adherence to the fundamental principles of the medium-term strategy. The prospects for the future will be brighter if the industrial countries pursue monetary policies that consistently keep inflation low, fiscal policies that achieve budgetary balance over the cycle, and structural policies that enhance the growth of employment and productivity. In fact, the measures needed now to boost confidence and re-establish stability in the markets are precisely those that also have the potential to promote noninflationary growth and to create jobs.

To create jobs! The industrial countries are anxious to find more effective ways to tackle the unemployment problem, which threatens to erode the basic fabric of their societies. But, after all the efforts of so many years, what is missing from their economic strategy?

Some will tell you that it could be safe now to relax monetary discipline and so give a boost to activity, because inflation has been subdued, if not quite defeated. But this would be the most serious mistake we could make today. It is not tight monetary policy, but rather the weakness of fiscal and structural policies that has undermined confidence, resulted in high long-term interest rates, and hindered growth. If this is true, the industrial countries should implement the medium-term strategy more effectively, not abandon it.

Let us start with the most basic tenet: fiscal consolidation. Everyone recognizes the central importance of this, to free savings for productive use and to bring about a reduction in long-term interest rates. But, you may ask, is it sensible to take firm action to reduce fiscal deficits while the recovery is still so hesitant? I recognize this concern. Nevertheless, my answer is a firm "yes." Yes, because each postponement of long-overdue fiscal action adds to the severity of the problem. Any further postponement of fiscal retrenchment, out of concern for possible short-term effects on activity, would contribute to a worse environment rather than a better one.

Credible action to reduce budget deficits would improve confidence, lower inflationary expectations, and produce a downward adjustment of long-term interest rates. All these would, in time, more than offset any short-term contractionary impact. The main emphasis should continue to be placed on expenditure restraint, but increases in revenues will also be necessary in several countries.

I urge prompt action to ensure speedy and lasting fiscal consolidation in the United States and Germany. I also recommend firm fiscal action in other European countries, most notably, Italy. I applaud the prudent fiscal policies that Japan has followed for many years. These have yielded a "prudence dividend" in the form of the scope for the authorities to announce a welcome economic package.

With a sounder fiscal position for the industrial countries, there would be less of a burden on monetary policy, which should remain focused on the basic objective of keeping inflation in check at a very low level. And monetary policies should be coordinated as effectively as possible. Markets are very sensitive to the quality of this coordination and quick to react if they doubt its effectiveness.

"Each postponement of long-overdue fiscal action adds to the severity of the problem."

The job-creating content of the strategy will have to be reinforced. Labor market reforms are needed urgently in the countries where unemployment is most deeply entrenched. In particular, greater efforts are needed in three areas:

- to decentralize wage bargaining so that wages reflect the financial performance of individual enterprises and local employment conditions;
- to improve vocational training and provide stronger incentives for labor mobility; and
- to address social concerns through the tax and welfare systems rather than through overly rigid wage structures.

I also see a significant potential to boost growth and confidence through action by the industrial countries to reinforce international cooperation. I will mention three priorities. First, there must be stronger and more effective coordination of their own policies, with due regard for the impact on the rest of the world. I believe that Fund surveillance should play a larger role in this. Second, the Uruguay Round should be completed without further delay, and proper care given to ensure that regional trade arrangements are supportive of the multilateral trading system. And third, more effective support should be given to the many countries that are engaged in economic adjustment and systemic transformation.

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I now turn to the greatest challenge of our times—the transformation of the formerly centrally planned economies of Eastern Europe and the former Soviet Union.

The countries of Eastern Europe started their reform and stabilization efforts a few years ago. They have experienced an initial shock and face difficult problems. But they are showing encouraging results, including lower inflation, significant gains in export market shares, a rebuilding of foreign exchange reserves, and rapidly expanding private sectors. Although most of them experienced very sharp initial reductions in output, there are signs that 1993 could show positive growth for this group.

A market in Bucharest, Romania: Eastern European countries' reforms are beginning to show results.

Their adjustment efforts should lay the basis for sustainable recovery. The authorities will have to persevere with and intensify their reforms, and back them up with appropriate financial discipline. They must ensure that urgent structural adaptations, such as reform of the enterprise sector and institution-building, do not lag behind macroeconomic programs.

Governors, last year in Bangkok we welcomed a delegation from the Soviet Union. By the end of 1991, the Union had ceased to exist and was replaced by 15 independent states; all of them are represented here today.

These countries are engaged in the immense task of creating new societies and institutions, and integrating themselves into the global system. Their leaders know they will succeed in creating a better life for their people only if they act boldly from the outset—to put in place the necessary institutional framework and implement sound economic policies. They appreciate, all too well, the enormous risks and potential pitfalls that lie ahead. And they see no alternative to reform. I found vivid evidence of this in my visit to Estonia, Latvia, and Lithuania last month.

Helping to integrate them into the global system is now part of the Fund's task. It is urgent—and daunting. The way ahead is largely uncharted. We do not pretend to have complete answers to their problems, some of which are unprecedented. But I can assure you that the staff is tackling this task with energy and enthusiasm.

The IMF is assisting the new members with policy advice and technical assistance. This is particularly important in the early stages of the reform process, when institutions are being created and new skills have to be learned.

The Fund has also already started to extend financial assistance to some of the new members. A first credit tranche arrangement for Russia was approved in August, and last week the Executive Board approved standby arrangements for Estonia and Latvia. I hope that similar assistance in support of stabilization programs and structural reforms will soon come into place with others—Lithuania, for example, and I also have in mind especially Kazakhstan and Kyrgyzstan, which I will visit next week.

It is too early to assess the initial results. There have been setbacks, notably inflationary pressures—even the threat of hyperinflation—and a rise in interenterprise arrears. In addition, output has fallen sharply. This was inevitable, in view of the handicaps inherited: the deep-seated distortions and structural weaknesses, the collapse of the old command system, and the lack of a well-functioning institutional framework.

But the momentous process of rebuilding the economies is under way. It will take time, but the first signs of transformation are now beginning to appear in those countries that pioneered the reform process. Shortages are disappearing. Private sector activity is growing. There is reason to believe that these early signs of a functioning market economy will spread quickly.

We should have no illusions. What is starting here will not be "business as usual" for any of us. There are no quick fixes, no easy route to building up a whole system. Our task is to help a basic transformation, in a way that is convincing and makes progress irreversible. To ensure this, the reform programs must be realistic, balanced, and coordinated:

• Programs must be realistic. Realism calls for a bold and comprehensive approach. Full transformation will take time, but that is a good reason to start immediately, and to take advantage of the dynamism and enthusiasm of the present period to create, irreversibly, the basic structures of a market economy.

• Programs must be balanced. Macroeconomic stabilization must go hand in hand, from the outset, with progress at the most basic level of the economy—namely, the enterprises—so that firms are bound by market discipline, respond to price signals, and take advantage of changing opportuni-

ties. Reform of the enterprise sector requires a major effort to adapt the legislative and regulatory framework within which enterprises operate, as well as a change in the attitudes and behavior of managers. In this respect, the contribution of our colleagues in the World Bank, the European Bank for Reconstruction and Development, and many national agencies is really crucial.

• And, finally, programs must be coordinated. The programs of all the new states should be designed to take account of the effects on their neighbors and partners. They could, and should, be mutually supportive.

It will be important, in the trying months and years ahead, for the authorities of the reforming countries—in Eastern Europe, the states of the former Soviet Union, and elsewhere—to persevere with their systemic reforms, maintain firm financial discipline, and muster a popular consensus in favor of the reform process. This calls for courage and leadership on their part. But they cannot succeed on their own. Provided they implement good reforms to the best of their abilities, the support of the community of nations must be extended to them. Their exports will need access to markets. Our financial assistance and technical support is essential. Never, since the reconstruction effort after World War II, have we seen such a need for cooperation in a shared enterprise that promises so much for the common destiny of mankind.

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The developing countries. There is a welcome paradox here! In the past, we would have expected the majority of developing countries to show a disappointing performance, whenever the industrial countries were suffering a cyclical slowdown and international prices for primary commodities were depressed. But, on the contrary, the recent growth of developing countries has been the highest for a decade. Their output rose by 3 ¼ percent in 1991 and is growing by about 6 percent in 1992. Similar growth is projected for next year. Growth has been particularly strong in Latin America and Asia, and has been boosted by recovery from the war in the Middle East. This performance has been due to better policies. The results of different countries vary considerably, but the record shows convincingly that better policies, sustained over time, have produced a stronger economic performance, by any standard.

Look at the 35 or so countries that have steadfastly implemented stabilization and reform strategies over the medium term—which together account for about half of developing country output. These 35 countries have recorded a truly impressive performance. Where does it come from? In most cases, their strategies rest on some combination of the following seven pillars:

• fiscal consolidation, including a reduction of excessive military spending or subsidies, and efficient use of scarce resources;

• a firm anti-inflationary monetary policy, liberalization of the financial sector, and realism in exchange rates;

• a bold opening of the economy to international trade, foreign capital, and competition;

• price liberalization;

• reform of public enterprises;

• creative adaptation of social policies, to improve the working of labor markets and make social safety nets more effective; and

• "good governance," which brings together all of these essential elements.

As we see more and more clearly, sound economics, political democracy, and good governance go together.

With this approach, governments can achieve sustainable growth and link it to the broader aspirations of society, in particular, by paying due regard to the ultimate sources of human progress and social equity, in a well-protected environment. This is the best way to earn the confidence of the people and of foreign partners.

The achievements of these successful countries are, above all, a testimony to the vision and courage of their leaders. Those who have shown this quality of leadership—and many of them are in this room today—deserve our admiration.

Their examples deserve to be emulated. We all have much to learn from them.

However, too many developing countries are still in critical situations. Too many people are still in the grip of poverty. And too many governments have persisted with weak or inadequate policies, or have postponed needed reforms.

But why should they resign themselves to falling behind?

They should know that there are strategies that work. And they should be assured that the international community has appropriate instruments to support them when they embark on credible programs. Let me add just a few words on two of our instruments.

The debt strategy continues to produce significant results. The aggregate debt-export ratio of the developing countries has declined from 180 percent in 1986 to 120 percent in 1992. The debtor countries that pursued effective stabilization policies and economic reforms conducive to higher export growth have seen marked improvement in their situations. In several cases, debt-reduction operations have contributed decisively. And I was delighted yesterday to hear good news about the term sheet for Brazil.

What remains to be done? All the participants in the debt strategy will have to persevere with their efforts for several

years to come. And some further refinements to the strategy are desirable. In particular, the degree of debt relief extended by official bilateral creditors should be sufficient in light of the circumstances of each debtor country, especially the poorest countries. We also encourage faster progress to resolve the debt problems of certain countries whose commercial debt burdens are large for the country but small for the banks.

Drawing water in the Sahel: periodic droughts have added to Africa's problems.

Among the Fund's own instruments, the enhanced structural adjustment facility (ESAF) has served remarkably well to support fundamental transformation in low-income countries. But we will need to attend now to the future of ESAF, and I particularly welcome the recommendations on this from the Munich summit and the Interim Committee.

Mr. Chairman, may I make a special plea on behalf of Africa. Several African countries, in the face of enormous obstacles, have implemented strong programs with the support of the Fund and the World Bank; they are among the success stories that I mentioned already. But many more are experiencing tremendous difficulties because of their limited resources, continued high debt burdens, the impact of drought, or weak policies. We must redouble our efforts to help them emerge from the poverty trap. The Fund stands ready to extend to all these countries its strong support, as soon as they are ready to embark on appropriate reforms and sound programs. I urge them not to delay.

* * * *

Mr. Chairman, I have highlighted some of the challenges that the Fund's members face. The Fund itself is trying to fulfill its mandate, in serving the membership as effectively as possible. But we have limited human and financial resources to serve an expanding membership.

The task of helping the new members has left the Fund hard-pressed to meet its other responsibilities. Our staff is overstretched. This has forced us temporarily, to postpone or dilute some important Fund activities, including some policy surveillance through Article IV consultations. Technical assistance to some developing countries has also had to be curtailed or postponed temporarily. This has required some hard but unavoidable decisions. We are taking steps to overcome these difficulties. But the Fund will need to reinforce its human resources and to count on the invaluable support of many members—and especially their central banks and ministries of finance—for our technical assistance efforts.

The extension of financial assistance to the new members has not, so far, impaired the Fund's ability to respond to any other country that has come to us, with a good program, requiring financial assistance. In fact, the level of Fund financial assistance to the membership at large is increasing. We now have programs in place with 52 member countries, and programs with some 30 more countries are at an advanced stage of preparation. We expect outstanding Fund credit to increase sharply in the next few months. This is now placing strains on our financial resources. The Fund remains firmly committed to the principle of uniformity of treatment of all members. But meeting the justified needs of members could very soon lead to a reduction in the Fund's liquidity to a level that would not be sustainable. This lends unquestionable urgency to the implementation of the quota increase and the acceptance of the Third Amendment of the Articles. The Fund needs the increase in quotas, and I trust that it will come into effect very soon.

* * * *

Mr. Chairman, we face formidable challenges.

Recent turmoil in the exchange markets has reminded us how dependent we all are on each other. Our fortunes are interlinked. If Europe succeeds in strengthening its economic and monetary solidarity, that will also benefit the rest of the world. If the industrial countries can revive growth and create jobs, that will boost activity worldwide. If the countries in transition can create free and prosperous societies, and the developing countries are able to eradicate poverty and achieve sustainable growth, that will be a major success for all of mankind. We need success in all these endeavors, to create a better and more peaceful world.

Each of our countries, Mr. Chairman, has a major stake in the fortunes of the others, and in the strengthening of our common multilateral framework for trade and finance. Only through a genuine acceptance of shared responsibility to tackle our common problems can we hope to enjoy the fruits of success. We share these aspirations. Let us work together to achieve them.

Mr. Preston's Opening Address . . .

Sound Policies Backed by Good Investments Can Transform Societies

Following are excerpts from the opening remarks by Lewis Preston, President, World Bank, delivered on September 22 to the plenary sessions in Washington, D.C.:

As we begin working with our new members, and as our activities with existing members expand, we remain dedicated to our central mission: reducing poverty. By our progress in helping to reduce poverty, the Bank's performance as a development institution should be measured.

World Bank President Preston: reform is difficult, but history documents the benefits of perseverance.

Emerging Results

The last year has seen real development progress but also real cause for concern.

In South Asia, the outlook has brightened. India has taken important first steps to open its economy. The task now is to maintain the pace of reform.

Many countries in sub-Saharan Africa have undertaken significant economic reforms. They can look forward to good results—if they stay the course. An enormous challenge remains. This is evident from events as diverse as the drought in southern Africa and the tragedy in Somalia. But a foundation for enduring progress is at last being laid.

Many Latin American countries are emerging with healthy economies after a decade of debt crisis and painful adjustment. Governments can now focus more directly on the fundamental tasks of reducing poverty and restoring infrastructure.

The potential for development in the rest of this century and into the next is great. There is widespread agreement on economic fundamentals: the importance of macroeconomic stability; competitive markets; private ownership; and a well-defined role for government.

But we have not yet taken advantage of the great promise offered by the post–cold war era.

Output for the world economy in 1991 was one of the slowest in any year since the Second World War. Trade barriers are on the rise in much of the industrialized world. Aid flows are stagnant. Average living standards in the developing world have declined for three years.

What should be done to reverse this situation?

The market for developing country exports—their main engine of growth—must expand. Rapid recovery from the current downturn in the industrial countries would increase developing country exports by nearly $50 billion a year. This is almost equal to the annual aid that they receive. The completion of a successful Uruguay Round would be an important further spur to growth.

Continued policy reform in developing countries is also essential. Reform is difficult and takes time to show results. Doubt and disillusion can set in, as pain often precedes gain. But history documents the benefits of perseverance.

Sound policies, backed by appropriate investments, can transform societies over time. In the last generation, the per capita incomes of the poorest countries have doubled; life expectancy has risen by 10 years; and infant mortality rates have been almost halved.

To maintain the momentum of reform in this generation, we must focus on two critical challenges highlighted by events of the past year.

First, the challenge of promoting environmentally sustainable development for poverty reduction.

Second, the challenge of helping the formerly centrally planned economies make the transition to modern, market-based systems.

Sustainable Development for Poverty Reduction

The Earth Summit in Rio reaffirmed the close connection between poverty reduction and environmental protection. Almost all of the three million children who die each year because of unsanitary water are poor. High lead levels depress children's intellectual abilities in the slums of major cities, such as Bangkok and Mexico City. Hundreds of millions of poor people are exposed to large quantities of indoor pollution.

In short, the most serious environmental problems hit the poor hardest. Helping the poor requires improving their en-

vironment. Equally, protecting the environment requires growth and poverty reduction.

There are sometimes trade-offs between environmental and other values. But many of the measures most effective in reducing poverty also produce environmental gains.

Economic growth, which is central to poverty reduction, creates the means to improve the environment. As countries grow, sanitary conditions improve; farmers are able to increase their productivity; and pollution usually declines.

Reducing subsidies—on energy, water, and logging—helps to promote growth and preserve natural resources. Open trade and investment policies boost prosperity and can encourage the transfer of cleaner technologies. Giving poor farmers property rights raises their productivity and reduces their incentive to deplete soils.

Investing in people is critical. Accelerating the provision of education and health services—as well as clean air, water, and sanitation—helps to reduce poverty and protect the environment.

Population policies are also linked to poverty reduction and environmental protection. Each year, the world's population grows by about one hundred million people. The population of some of the world's poorest countries will double within two decades. Experience in East Asia and elsewhere confirms that income growth—coupled with an emphasis on human resource development—can reduce fertility, poverty, and environmental damage.

Many of the measures most effective in reducing poverty also produce environmental gains.

The Bank's investment in education, health, nutrition, and family planning has steadily increased over the last decade. Commitments have risen from an annual average of $635 million to more than $3 billion today. They are projected to increase by a further 50 percent over the next three years.

There are many measures that both spur growth and improve the environment. There are also investments that, while not yielding direct productivity benefits, are necessary to protect the environment.

In pursuit of this strategy, the Bank's investment in water and sanitation is projected to increase by 75 percent over the next five years. Our lending for agricultural services and pollution abatement will also expand. And our support for environmental action plans helps to ensure concentration on problems that have the greatest impact on human welfare.

Transition Economies

We now have nearly three years of experience with reform in Eastern Europe. The circumstances have been extremely difficult. Just as they were reforming their economies, these nations were hit by the collapse of the Soviet economic system. It is the loss of nearly half their trade with the former Soviet Union—and not their reforms—that has been a major factor contributing to economic decline in Eastern Europe.

Even under these difficult circumstances, there are signs of progress. Prices have been freed, food lines eliminated, and inflation contained. In Poland, exports to market economies have risen by more than 50 percent. Hungary has witnessed the emergence of 60,000 new businesses. And the rule of law in ordering economic life has been restored by establishing property rights and permitting the enforcement of contracts. A long road lies ahead. But these countries are now on the right track.

An even longer and tougher road faces the 15 states that were once the Soviet Union. Already, the breakdown of the old economic system has reduced output by more than 25 percent. Historically, these states have had less exposure to market systems than the Eastern European countries; they have been more closed to trade; and they lack effective institutions that can respond to the new economic frameworks.

Structural reform aimed at the creation of a viable private sector is the key to long-term growth.

First, small businesses need to be encouraged. They offer the best hope for the future.

Second, large state enterprises should be restructured and, wherever possible, privatized.

Third, the productive potential of key sectors needs to be unlocked.

Fourth, if private enterprise is to succeed, interstate trade restrictions will need to be removed. Whatever currency arrangements ensue, there must be a reliable payments mechanism, and the process of exchange must continue.

Clearly, adequate financing is critical in all these areas.

Some time ago, I announced that the Bank's own support for the 15 states could total $2.5 billion this year, increasing to $4–5 billion a year by 1995. Those projections are on track.

However, the multilateral agencies alone cannot meet the huge financing requirements. Industrial country governments will need to increase their assistance—albeit a small fraction of what they have spent historically on military expenditures.

Joint Press Conference . . .

Currency Turmoil Makes Policy Coordination Even More Important

Following are excerpts from the joint press conference given by Carlos Solchaga, Chairman of the Interim Committee, and Michel Camdessus, Managing Director of the IMF, on September 21 in Washington, D.C.:

SOLCHAGA: I will make some remarks on the highlights of the press communiqué of yesterday's Interim Committee session.

With respect to the industrial countries, the Interim Committee noted that, even if recovery is under way, it remains sluggish and uneven, with rates of unemployment unacceptably high, and increased uncertainty after the recent exchange market tensions. In the view of the Committee, the currency turmoil illustrates the importance of reinforced policy coordination, a firm implementation of the medium-term strategy, and continuing efforts toward economic convergence in Europe. The idea of strengthened growth without rekindling inflation is once again underlined in this communiqué.

There is also some preoccupation with the conclusion of the Uruguay Round and trade affairs. It has been stated that it is a matter of concern that barriers to trade in industrial countries have increased since the commencement of the Uruguay Round negotiations.

With respect to the developing countries, the communiqué welcomes the steady and successful implementation in many of them of sound macroeconomic policies and structural reforms, which have resulted in stronger growth, lower inflation, and increased per capita incomes, and even, in a number of countries, in a reversal of capital flight and substantial inflows of foreign investment.

The communiqué also states that there has been some progress in the countries of Central and Eastern Europe, and in some of the countries of the former Soviet Union. However, the communiqué notes that the prolonged weakness of activity in some countries underlines the need to carry through further reforms quickly. The Committee welcomes the first Fund arrangements negotiated with the Russian Federation and with the Baltic countries; encourages the members to support the efforts of these countries with international and financial assistance; welcomes the evidence of further gains under the debt strategy during the last year; and also welcomes the extension to November 1993 of the period for commitments under the Fund's enhanced structural adjustment facility (ESAF). The Committee urges the Executive Board to complete the work to determine the new facility that will succeed the ESAF.

The Committee expressed deep concern that the proposed Third Amendment of the Articles of Agreement and the quota increases under the Ninth General Review had not yet entered into effect. We have been told by the Managing Director that this will probably be solved in the coming months.

Finally, the Committee took note of the work of the Executive Board on the role of the SDR in the provision of international liquidity, and has requested that the Board continue to keep the matter under review.

Interim Committee Chairman Carlos Solchaga.

The Committee decided to meet again next April 30, 1993, here in Washington. Belgium, followed by some other countries, raised the possibility of having the meeting earlier next year. This was not agreed. It was decided only that the Managing Director and myself, after consultations, will decide on the possibility of having the next meeting in the first two, or maybe three, months of next year. These are the conclusions of the Committee.

QUESTION: *In the wake of the French vote, which I personally welcome, the question remains: the Interim Committee communiqué notes that there is stronger growth in many developing nations due to improved macroeconomic policies and structural reforms. But we still question the significance of this growth in view of the sluggish economic recovery in the industrial nations. And since the world is interrelated, and in developing nations we need*

free trade and we need to increase exports, what will be the next step in Europe and in the industrial nations in general with regard to improving the economic recovery and, at least, to lowering interest rates in Europe to accelerate recovery?

SOLCHAGA: Certainly there were some concerns that this economic situation in the industrial countries could affect negatively the recovery in developing countries. I think that most of the members of the Committee were in favor of the idea that it was impossible to reactivate the industrial countries' economic activity without enormous efforts at policy coordination. The situation in the fiscal accounts of most of these countries is not healthy. Fiscal deficits are so high that we need to rely mainly on a reduction of interest rates, on the one hand, and probably on structural reforms on the supply side. With respect to the former, it is absolutely obvious that, without some coordination of economic policies so that the reduction in interest rates can be compatible with stability in the exchange rate markets, it will be impossible to help their economic recovery. The main point is precisely the need for policy coordination among the main industrial countries—the United States, Japan, and the European Monetary System (EMS), or the industrial countries of the EC [European Community].

QUESTION: *Can you please explain the Interim Committee's understanding of the expression that the Group of 7 should "take appropriate additional actions as needed to strengthen growth." What do you mean by additional actions?*

SOLCHAGA: I am not sure that all of us thought exactly the same way about it. What is clear, in my view, is that part of the problems we are going through at this moment comes from the fact that interest rates in Germany are too high and interest rates in the United States are too low. As long as this continues to be the case, I find it quite difficult to arrive at a situation in which there is general reduction of interest rates. So I hope, and I think many members of the Committee do too, that these interest rate differentials will be reduced in the future.

QUESTION: *Mr. Managing Director, what are the options for the ESAF after November 1993? And when do you propose to start the Tenth Review of Quotas, because it has already taken four years to complete the Ninth Review?*

CAMDESSUS: We will begin working on the ESAF issue very soon. At the beginning of next year, I will decide on the issue together with the Executive Board. We have extended the present ESAF one year more to cover the full year 1993; but at the end of 1993, we could be short of resources because this facility is now being utilized very heavily. My objective, to be absolutely clear, is to avoid any kind of interruption between the present ESAF and the successor arrangement. Here we prefer to say "successor arrangement" instead of "ESAF," in order to allow for possible changes to make it even more effective than the present ESAF has been. And I was happy to see the very broad support for continuing with a concessional facility in the IMF. This very strong support we enjoyed at the Munich summit is now being broadened to our entire membership.

On the Tenth Quota Review, in the normal course, we should conduct it in March 1993. What matters now is to have the acceptance of the Third Amendment and a final vote on the Ninth Quota increase. I hope we will have these, since the very strong demand for our resources makes me impatient. Once the Ninth Quota increase has been voted on, our liquidity will be sufficient for a certain period of time. But perhaps I can tell you that we may need a new quota increase within the next ten years.

QUESTION: *Mr. Managing Director, when you left the White House last night, you told us you would be ready to comment this morning on Mr. Bush's commodity indicator idea. I'd like to hear your comments on that. I noticed that there is no reference in the communiqué to that, so I assume it is a nonstarter.*

United States Treasury Secretary Nicholas Brady.

CAMDESSUS: I am not revealing a big secret in telling you that the process of adopting the communiqué was quite advanced at the time we left the White House, so do not be surprised if you do not see in the communiqué a reference to the useful and worthwhile suggestion of President Bush. We will indeed explore the idea further now. As a matter of fact, the IMF is continuously monitoring developments in commodity prices, including gold. These are an important forward-looking indicator of inflationary developments, and I think that the U.S. President's suggestion is timely and can play a useful role, along with other economic indicators, in assessing the stances of economic policies that underlie exchange market develop-

ments. So we will look at that. But, as you refer to the speech of the U.S. President yesterday, I must tell you that I was even more impressed by his strong call for strengthening cooperation, continuing working together,

Japan's Minister of Finance Tsutomu Hata.

and insisting on our solidarity in rekindling world growth. I think the Interim Committee has certainly been extremely impressed and encouraged by this message.

QUESTION: *Are you satisfied with the capital flows into those developing countries that have made adjustment efforts? In the Interim Committee, our Minister of Finance, Mr. Marcilio Moreira (Brazil), indicated that such inflows were not only a result of these adjustment programs, but also due to short-term interest rate differentials. How do you feel about this?*

CAMDESSUS: I think that Minister Moreira did not surprise his colleagues when he said that wide interest rate differentials give rise to considerable flows! He also said how he admired the structural adjustment facilities and programs carried out with the assistance of the IMF and the World Bank. And I think that he and all his colleagues in Latin America would acknowledge that, if there are very positive capital flows into Latin America at the present time, it is due not only to interest rate differentials, which existed in the past as well, but also because the policies of these countries are being implemented with perseverance, continuity, and credibility. For years, at these press conferences, we had to explain the reasons for capital flight and wondered how to achieve repatriation of this capital. Now we welcome this. I can tell you that in 1986, capital flows into Latin America amounted to $11 billion, and in 1992 the figure was in excess of $40 billion. Moreover, these are not volatile capital flows but, for the most part, flows that are being invested either in long-term loans or privatization activities, or in equity participation. This is capital that is not going to fly out again at the slightest interest rate change.

QUESTION: *I would like to return to the question on President Bush's address to the Interim Committee yesterday evening. To my mind, the address seemed to be a slap in the face of the IMF with respect to its role in the policy coordination process and in providing objective indicators for that dialogue.*

CAMDESSUS: Well, I did not at all have the impression of receiving a slap on my face yesterday at the White House. On the contrary, I had the impression of receiving a very strong hug of encouragement! I have the impression that the President of the United States is like other world leaders. He likes what the Interim Committee is doing very much, he likes what we are doing very much, and he wants us to do more.

QUESTION: *Mr. Managing Director, you have said that the United States bears at least some responsibility for the currency crisis in Europe because of its interest rate policies over the last year and a half. I'd like to know if you think there is anything the United States can do in the short term to help resolve that crisis, and, specifically, whether you believe that it would be constructive for the Federal Reserve to raise short-term interest rates in the United States to close the interest rate gap with Germany.*

CAMDESSUS: I will not join in the game of distributing blame for what took place last week. What the crisis of last week has shown with crystal clarity is that we live in a totally interdependent world and that the action of the key players immediately has repercussions for the others. This is why the communiqué conveys a strong sense of common action in order to keep the system stable, or more stable than it is now. When the Interim Committee discussed the issue, it did not say that the German interest rates should go down, or that U.S. rates could or should go up. No. The Committee said that there is a clear need in the world for a better balance between fiscal and monetary policy in all countries, and also in the United States, where a better balance would facilitate a narrowing of interest rate differentials. Is there a need for immediate action now? I think that the authorities are looking quietly at the reactions of the markets and evaluating what has been done so far. But I am absolutely certain that the Federal Reserve will do its job, namely, to keep inflation in check and to continue to adapt its interest rates to the progress of recovery. If anything, even if it is not made totally explicit here, we would recommend that the Federal Reserve be prompt in accompanying the recovery with moderate and progressive increases in interest rates as soon as the recovery gains momentum. But here you have to make a choice about the right timing, and there is nobody better than the Federal Reserve to make this choice.

Managing Director's Closing Press Conference . . .

The IMF's New Responsibilities Are A Vote of Confidence

Following are excerpts from the press conference given by IMF Managing Director Michel Camdessus on September 24 in Washington, D.C.:

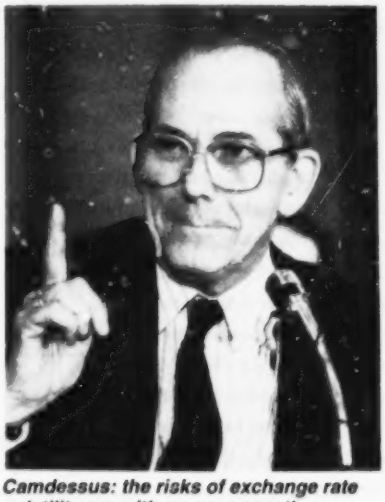
CAMDESSUS: You all know what the key issues on our menu were. Developing countries' prospects, and there is good news of good growth in many of them, despite a bad international environment. Of course, for us, the task is to make sure that the good progress we see in, let's say, half of the developing world, is extended to the others. We feel that we know what the right methods are to achieve this—the "good recipes for the cuisine"—and we have pressed hard in these directions. I was impressed that these methods appear to be the common wisdom of the world. Nobody, almost nobody referred to any alternative strategy.

It was extremely impressive to hear the Governors for all the countries in transition, one after the other, telling us that they had no illusions. They know well that transition to a market economy is not a bed of roses, but they want to proceed. And, indeed, there were strong expressions of support for such efforts.

This year, our meetings placed an exceptional emphasis on the problems of industrial countries. And rightly so, indeed. This will be one of the salient themes of this historic first meeting of the International Monetary Fund, now a global institution. We have begun by considering the difficult problems of industrial countries in establishing conditions for sustainable growth and job creation, and for stability in exchange markets. Indeed, we heard a lot of insistence on this last issue, and a strong call upon us, as the institution normally seen as the machinery for international cooperation in this domain, to do our job. This was, indeed, celestial music to my ears. We will take the appropriate steps to do this, and will present proposals to our Executive Board, to the Interim Committee, and, if needed, to the Board of Governors. We will be prudent. We do not want to raise any expectations in this domain. The reasons that have prevented the world community from doing better in the exchange market arena will probably be with us for some time more. But, the world is now more aware that the risks of volatility are with us permanently, that stability should not be considered as a given. And we must certainly begin by thinking about the true reasons for this crisis. With a common assessment of the causes of the crisis, we may be able to come to common conclusions.

I informed the membership that, once again, following an Annual Meeting, we have more responsibilities on our shoulders and pressing calls for us to do more, and do it better. We like this. We see in it a very convincing vote of confidence. But, indeed, I respectfully told the Governors that for discharging increased responsibilities in serving an expanding membership, we need resources—human resources and financial resources. As for human resources, I will not bother you with the IMF's budget needs. Our need for financial resources, however, has a well-known name this year: the quota increase. I hope we will soon have good news in this respect.

QUESTION: *I am concerned about the trend I see among the industrial countries to set up controls as a way of solving some of the problems in the exchange and interest rate markets. Following your admonition the other day, I wonder about these countries, who are asking us [the developing countries] to liberalize while they themselves are doing somewhat of the opposite.*



Camdessus: the risks of exchange rate volatility are with us permanently.

CAMDESSUS: You are quite right. It was a recurring topic throughout these meetings. It is certainly important for the northern countries to believe in the proposals that have come up so often and have been addressed in countries in other parts of the world; among these proposals, the first basic tenet is fiscal consolidation.

But you have also raised the question of the exchange rate. We will comment on this further in the context of the present crisis, but I would like to say that controls are palliatives, which are of temporary effect only. Any step back to real controls is a step backward, a regressive step, and such

backward steps have to be avoided at any cost. They do not help anything but merely damage the situation. They create damage because they make one forget that there are underlying causes for these types of crises. When you think about re-establishing controls, perhaps the situation demands that steps be taken, but you do not have enough time to think about the real causes. Once you have the time to think, you have to look at the real measures that are necessary to coordinate economic policies and that will get to the root of the imbalances so that those backward steps that may have been temporarily necessary become necessary no longer. I feel that those European countries that have recently adopted these control measures will very rapidly be in a position to cancel them. In any case, they are obliged to do so since these control measures are completely in noncompliance with the treaty of the single European market.

QUESTION: *Mr. Camdessus, you have devoted a lot of time and energy this year to being supportive of the efforts made in Brazil. As you know, though, in less than a week the Government you have dealt with will probably be out. Under these circumstances, what are the conditions that the IMF management would like to see to continue being supportive of Brazil: First, as regards the bank agreement just announced, and, second, as regards the reactivation of the adjustment program presently on hold?*

CAMDESSUS: As you know, the IMF does not support a given government. We support the program of a country. So whatever our excellent relations with the present Government are, we will continue supporting the program of Brazil as long as the program serves Brazil's economic reforms, stabilization, and progress. You have told us, quoting the words of my friend Marcilio Moreira, that the program is on hold, but as I stated a few days ago, a lot of excellent things are continuing to develop in Brazil. I will not repeat their efforts to keep monetary growth under control, the remarkable performance of the trade balance, the remarkable performance of exchange reserves, the remarkable progress on privatization, the remarkable progress on opening the economy, and so on.

Of course, not all that is desirable could be done. In particular, tax reform could not be approved immediately. As I understand, the Congress is preoccupied with other business, which is important, indeed. But, if the Government of Brazil—whatever the Government—continues with the right policies, we will continue supporting them and encouraging them to deepen and intensify their program. And the authorities should be encouraged in this effort, particularly in the fight against inflation, in the fight for strengthening the budget, and in the fight for pushing ahead with structural changes. We will support this. And, indeed, we will inform the banking community of the progress we see in Brazil and of our intention to provide continued support. And then I hope that the agreements between the banking community and Brazil can be finalized and promptly implemented.

Exchange market controls are "palliatives, which are of temporary effect only."

QUESTION: *Over the last few days, we have heard a lot of praise for India and its reform and liberalization efforts, and we have heard expressions of support, not only from you, but from your friends across the street in the World Bank. This praise has been so generous that some of us are beginning to believe that all of India's problems are almost over. How much of this praise is simply being nice to a visiting minister, or do you really believe that India has done so well that it might become one of the "tigers" in the foreseeable future?*

CAMDESSUS: We look forward to the emergence of "tigers," as you know. When the tigers have 850 million people, you can imagine how important it would be, not only for India but for the world at large, to see the "tigerization" of India. Let us have a dream. We have to aim precisely for this, provided that the tigerization process respects the admirable and unique cultural values of India.

But this being said, yes, there are plenty of things for which India and its Government have to be praised. Everybody has heard what I have said about the progress of India, and I can tell you that we look forward now to a new stage of this joint effort, a new stage that could comprise a form of medium-term program during which India could strengthen its structural reform while continuing to aim for high-quality growth; on this, I totally agree with the views of Minister Singh.

QUESTION: *Mr. Managing Director, you have been asked to study proposals for better cooperation. A proposal submitted by Mr. Brady still appears to be a little vague. What is your opinion? Do you think that you can establish, as foreseen in the Maastricht Treaty, objectives as to the size of domestic debt, the average rate of inflation, and so on?*

CAMDESSUS: We have not gone that far, yet. Mr. Brady for some days now has been Chairman of the Group of 10, and he has had an excellent idea. The Group of 10 has been, for the

IMF, two things simultaneously: first, a provider of resources, resources "in the pocket" for difficult days, through the General Arrangements to Borrow; and, also, a "think tank" in support of our own thinking. In this connection, throughout history the Group of 10 has undertaken studies that have been transmitted to the IMF's Executive Board, which has done what it has been able to do with them, sometimes with positive outcomes.

Now Mr. Brady tells us that the Group of 10 is at our disposal, that it will work with us, will give its conclusions to our Executive Board, and to the Group of 7, close to Mr. Brady's heart and to all our hearts. This will represent a contribution to further thinking on the issues pertaining to capital movements. I think it is an excellent thing. Obviously, it is important that our community of countries does not gain the impression that the Group of 10 has a monopoly on thinking. The Group of 10 makes its contribution to the world's thinking on this matter, which should be done since it is an urgent problem.

Indian farmers weighing cotton: looking toward the "tigerization" of India.

QUESTION: In your closing remarks, you said that the method that central banks use to manage their currencies needs to be re-examined. You have also mentioned that proposals will be developed to strengthen methods of managing currencies, which you will be presenting to the Executive Board. Can you elaborate on what you have in mind?

CAMDESSUS: I can elaborate even though I was quite explicit in my concluding remarks on this matter. When I was asked about my comments on Secretary Brady's suggestions, something occurred to me that will help explain the kind of problem we face here.

Secretary Brady, at least in talking privately with me, has referred to this issue as a problem of a huge river with a lot of water flowing through it. This is an extremely good image. I have been dreaming about this image, and I would like to elaborate a little bit on it.

All of us are familiar with the river bank of a lovely, gentle river, like the one of my birthplace, the Adour, a very nice river at the foot of the Pyrenees Mountains. But all of a sudden, imagine that the Adour becomes an immense, tumultuous Amazon. And all of a sudden, the Amazon seems to leave its bed, flooding the surrounding forest, and all of us are distressed. Now, we ask ourselves, what should be done to make the Amazon, or the Adour, return to its bed? The question is: Has the river left its bed, or has the bed left the river? Are not the underlying policies there mainly to guarantee the stability of the economy and to keep the Amazon, or the Adour, in its bed? For me, the answer is crystal clear.

This suggests many things for policy making. First of all, we should not be wrong on the diagnosis, which is why I intend to ask the Executive Board to think about the true causes of the problem. If you diagnose the problem correctly, you will not be wrong on the prescription. And, in particular, you will not be obsessed with the idea of trying to restore some kinds of capital control and all of that. You will go to the fundamentals.

Second, we will also discover that this is not the time for blaming exchange dealers for having suddenly embarked on a conspiracy against world market stability. It is our common responsibility to the central banks, to governments, and to the IMF, to find a way to ensure that exchange dealers continue to fulfill their function expeditiously, safely, and diligently and are not put in such a confusing environment that agitations disrupt financial markets, where stability is so necessary for world growth. These are, therefore, our tasks: to identify the problem, to not be wrong in placing blame, and to come up with pragmatic, modest, and effective suggestions on how to deal better with the fundamentals, how to coordinate better the decisions of the key players. This is our job.

QUESTION: *In light of what the French Economic Minister said while here this weekend, don't you think that your responses are wrong? What is the solution if they are wrong? Would you have to readjust the European Monetary System in some ways, reduce interest rates of the Bundesbank, or what? What would the solution be?*

CAMDESSUS: Well, this is an extremely complex issue, and I can well understand that some of the Europeans, in the face of this great crisis, have considered it absolutely indis-

pensable to establish exchange controls on a temporary basis. This is understandable. They know full well that they will not be able to maintain these because the community law, that of the single market, prohibits it. But I think that we have to have an understanding of these reactions in Europe. The crisis is amazing. And in the eyes of many Europeans, it is basically a crisis of a purely speculative nature. Mr. Sapin was quite right: during the French Revolution the speculators had their heads cut off—among other people, of course. The difference is that during the French Revolution the law prohibited speculation with currencies. Now, the law allows it, allows all forms of speculation. And, so far, the world has seen itself as being well served by this absolute freedom in the movement of capital. But what we have not all seen is that in such a totally free universe, one has to be even more prudent with basic disciplines. If we all believe that fundamental principles must be properly respected for all of us to benefit from the broadest freedoms, then we must act responsibly vis-à-vis the fundamental principles. If we do not, then one day or another the market will bear the brunt. And it will not be the Adour, or the Amazon, or a river or the mountains of Catalonia, or the floods, it will be the whole Amazon Basin.

The conclusion is that we have to work hard on this issue, the common framework we have. We must work in the European Community. We must make sure that the whole scheme, as it exists now, can be properly adopted. We also have to look into the reasons behind the excessive responsibility placed on monetary policy, which, in Germany, led to excessively high interest rates. But it is not just a question of changing interest rates. You have to change the underlying policies. I am sure, after having consulted with Theo Waigel, with Helmut Schlesinger, and with their European colleagues, that we are headed in that direction. But in the meantime, we have to go through difficult times, where governments and central banks have to face up to speculation, which I think will calm down rapidly.

QUESTION: *Mr. Camdessus, you have not talked about Latin America very much. That has been the case throughout the meeting. Perhaps all the problems have been solved. However, at present, we have serious social problems, and serious and increasing poverty problems. For the time being, we do not see any response to these problems, which can jeopardize our adjustment process because of lack of support among our populations. What does the IMF recommend in such a case?*

CAMDESSUS: We have read that, but this is not what I see in most of the Latin American countries. In most countries, I see that the populations are beginning to understand that these adjustment policies are better than the policies followed before, that these policies generate jobs, capital flows, and investment, and that they create improvements that can, at least, promise an improved standard of living. For these reasons, I think—obviously, in certain places there are upheavals and will continue to be upheavals—that the support for these policies is much better than in the past, because the populations understand.

For years and years, they have been receiving promises that were never fulfilled. Now, because of what is being done, the promises can be delivered. There is stability, there is progress, there are jobs. And if the governments explain their policies correctly, if they look for wide-ranging democratic support for their policies, they will achieve a popular consensus, which is absolutely indispensable. In my own speeches, I have always insisted on this.

QUESTION: *In your closing remarks you said that the industrial countries can't have exchange rate stability without sound macroeconomic policies. And you have also indicated that it takes some time to achieve this. Given all of that, and despite your institutional and perhaps other opposition to exchange controls and capital controls, what do you see as the risks that capital controls will spread in the months ahead?*

CAMDESSUS: The risk is there, no doubt. The risk is there because governments are always tempted to resort to a "quick fix," especially when they are discouraged at how limited the markets' response is to their pledge and commitment to take action. I hope, nevertheless, that governments in dialogue with us will resist this temptation. This would be a disastrous step, a regressive step. To avoid this multiplication of regressive steps, we need to help governments adopt better policies rapidly, policies that are convincing for the markets, and, when necessary, audacious, immediate measures. Unfortunately, in general, there is only limited scope for action by central banks, in that the central banks have to act with strong resolve to show that they are not ready to allow speculation to win on all occasions. And then we have to announce very rapidly the kind of common action that we will take to avoid a resurgence of this kind of tremor.

We have to look into the reasons behind the excessive responsibility placed on monetary policy.

Plenary Sessions . . .

Governors Discuss EMS Crisis, Global Outlook, Reforms in Former Socialist Economies

The crisis in the European Monetary System (EMS), the economic transformation of Eastern Europe and the states of the former U.S.S.R., the world economic outlook, questions relating to trade and the external debt problems of the developing countries, and operational issues concerning the IMF and the World Bank were among the topics addressed by more than sixty Governors during the plenary sessions of last month's Annual Meetings. IMF Managing Director Michel Camdessus, World Bank President Lewis Preston, Interim Committee Chairman Carlos Solchaga, and Development Committee Chairman Alejandro Foxley also addressed the sessions, which were held on September 22–23.

The EMS Crisis and Policy Implications

The Governor of the World Bank for the United Kingdom, Robin Leigh-Pemberton, noted that the lesson from the currency disturbances within the EMS is *"not* that exchange rates can be ignored and policies aimed simply at domestic objectives. The exchange rate will always be a discipline on policymakers and it is a discipline we must respect." He added that the suspension of the pound sterling's participation in the exchange rate mechanism (ERM) of the EMS "emphatically does not represent a shift in the fundamental orientation of our policies. We remain absolutely committed to the progressive achievement of price stability."

Carlo Ciampi, the Governor of the World Bank for Italy, noted that, to prevent adverse effects from the devaluation of the lira, "Italy must strengthen policies to curb cost and price pressures of domestic origin." He indicated that his Government "is determined to resume [its] intervention obligations in the ERM." The parity of the lira within the system will, he said, "be established at a level consistent with the monetary discipline which represents the very essence of the EMS."

The Alternate Governor of the IMF for Germany, Theo Waigel, stressed that the turbulence in the foreign exchange markets during mid-September was "not the result of stability-oriented policy in Germany." He noted that German long-term interest rates were among the lowest in Europe, adding that "capital movements into the deutsche mark obviously had other causes."

A number of Governors underlined the need for improvements in economic policy coordination. According to Carlos Solchaga, Governor of the IMF for Spain, the mechanisms for multilateral coordination of economic policy are "partially incapable of dealing with the globalized, decontrolled, and liberalized economy that has emerged since the end of the 1980s." U.S. Governor Nicholas Brady pointed out that "the world has changed significantly since the coordination process was developed": the volume of transactions in the foreign exchange markets has multiplied, the channels through which capital moves have become more diverse, and the speed of transactions has increased dramatically. "New ways of cooperating must be developed to fit the changed circumstances of this new world," he said. Brady urged the Group of 10 industrial countries to examine international capital flows, including their size and movements, and their implications for the international monetary system.

U.K. Governor Leigh-Pemberton: the exchange rate will always be a discipline on policymakers.

W. Kok, Governor of the World Bank for the Netherlands, said that policy coordination between the major players and within a multilateral framework is now "more necessary than ever," adding that policy divergences have become "too wide."

With regard to policy actions by the industrial countries, Australia's Governor of the IMF and the World Bank, John Dawkins, thought it "somewhat ironic" that many such countries "have not willingly adopted the policies they have urged, and in some cases forced, upon the developing world." He maintained that the finan-

cial market instability "has more to do with flawed national policies than it has to do with flawed international financial markets."

There was general agreement that fiscal and monetary policies should, as Interim Committee Chairman Carlos Solchaga pointed out, be geared toward facilitating "a lasting decline in long-term interest rates through a decisive reduction in public sector deficits." At the same time, structural rigidities that impede employment and productivity growth need to be eliminated.

Russian Governor Shokhin: achieving financial stabilization is Russia's main task.

Some Governors urged the IMF to exercise greater surveillance over the policies of the industrial countries. Malaysia's Governor, Anwar Ibrahim, suggested that the IMF "should also be more vigilant in detecting early signs of excesses in industrial countries, and more forthcoming in recommending appropriate restraints."

Global Economic Outlook

Governors were, on the whole, lukewarm in their assessment of global economic prospects. Most echoed Interim Committee Chairman Solchaga's view that economic recovery in the industrial countries has "remained sluggish and uneven," that unemployment is "unacceptably high," and that exchange rate tensions have led to increased uncertainty.

The Governor of the IMF for Iceland, Johannes Nordal, suggested, on behalf of the Nordic countries, that the "substantial divergence" in major countries' economic policies and persisting problems in the financial sector and asset markets make current forecasts for economic recovery in 1992 and 1993 look "too optimistic." And India's Governor, Manmohan Singh, lamented that adverse global economic prospects "are gathering momentum precisely at a time when most developing countries have embarked on bold measures of reform."

Economic Reforms in Former Centrally Planned Economies

The Governor for the Russian Federation, Aleksandr Shokhin, stressed that Russia's economic reforms have not slowed down. "For the past several months we have faced a number of difficulties, but each time we were able to hang tough and advance the reform effort," he said, emphasizing that achieving financial stabilization continues to be Russia's main task. Shokhin added that his country still hopes to achieve the fiscal and monetary targets provided for in the July agreement with the IMF.

Japan's Governor, Tsutomu Hata, considered it "very important" for Russia to proceed to the second stage of its phased reform strategy by reaching agreement with the IMF on a further upper-credit tranche arrangement "as quickly as possible."

Hungary's Governor of the IMF, Peter Akos Bod, pointed out that, although policy advice and technical assistance are obviously essential for getting the post-Socialist economies back onto a growth path, "it is equally important for the rest of the world and, above all, the industrial countries to open their markets to the exports of the reforming countries." This thought was echoed by U.K. Governor Leigh-Pemberton, who, speaking on behalf of the member states of the European Community, maintained that financial assistance to Eastern Europe and the states of the former U.S.S.R. "can . . . only be transitional."

Canada's Governor, Donald Mazankowski, suggested that "external assistance can be effective only if it reinforces internal efforts." He urged the countries in transition to "persevere with stabilization measures despite negative popular reaction," because "postponing reform only makes the process that much more difficult to complete."

A number of other Governors also commented on the pace of reform in Eastern Europe and the states of the former U.S.S.R. Speaking on behalf of the Nordic countries, Iceland's Nordal maintained there was "no viable alternative" to rapid reforms; too slow an approach would create credibility problems for governments. By contrast, Austria's Governor of the World Bank, Ferdinand Lacina, suggested that "we seem to have underestimated the magnitude of the problems and the time needed for solving them."

With regard to the content of reform policies, several Governors' comments were reflected in Interim Committee Chairman Solchaga's appeal for "firm actions in all the former centrally planned economies to reinforce budgetary and monetary discipline, to accelerate structural reforms and institution building, and to foster domestic and foreign investment."

Operational Issues Relating to the IMF and the World Bank

Several Governors stressed the urgency

of completing the procedures that would enable quota increases under the Ninth General Review to come into effect as soon as possible. A number also welcomed the IMF's decision to extend for one year the enhanced structural adjustment facility (which provides concessional financing for low-income countries), and many Governors urged a renewal of the facility—or the establishment of a successor facility—following its expiration in November 1993. France's Governor of the IMF, Michel Sapin, maintained that "for the Fund to abandon such an instrument would be tantamount to virtual abdication of its activity and presence among the poorest of the poor." A number of Governors, in particular, those representing developing countries, also urged a resumption of SDR allocations by the IMF.

Some Governors expressed concern at the decline in net lending commitments by the International Bank for Reconstruction and Development (IBRD) in the 1991/92 fiscal year. "This is not commensurate with the urgent needs of developing members," China's Governor of the World Bank, Wang Bingqian, pointed out.

A number of Governors expressed support for a Tenth Replenishment of the International Development Association (IDA)—the World Bank's soft loan affiliate. Many reiterated Development Committee Chairman Alejandro Foxley's call for the Tenth Replenishment to be substantially higher, in real terms, than the Ninth. Speaking on behalf of the African Governors, Tanzania's Governor of the IMF, K.A. Malima, urged the World Bank to ensure that IDA commitments to sub-Saharan Africa "be consistent with the understanding reached with donors," and that these commitments be raised to about one half of the total, from about 43 percent in fiscal year 1991.

Resource Flows to Developing Countries

Germany's Alternate Governor Waigel stated that the global challenges of improving industrial countries' growth rates and assisting the countries of Eastern Europe and the former U.S.S.R. with the transformation of their economies "must not—and, I am certain, will not—be met at the expense of the poorest countries in the world, above all in Africa." "But," he added, "even as we try to increase development aid, the concessionary . . . funds provided from public budgets will always remain limited."

Canadian Governor Mazankowski commented that "one clear lesson of the . . . 1980s is that resources, both private and official, do not necessarily flow to countries that need them most but to countries that use them productively." Consequently, he added, "evidence of sound economic management and good governance has become increasingly important in allocating aid."

Philippe Maystadt, Governor of the World Bank for Belgium, expressed the view that "direct investments and participations can be expected to become the primary instruments for the financing of the development process and will take over . . . the role formerly played in that area by commercial bank loans."

Sartaj Aziz, Governor of the World Bank for Pakistan, expressed concern about "a negative net transfer of resources for a growing number of developing countries," noting that this was "particularly worrisome for those developing countries that have little access to international capital markets." Carlos Boloña Behr, Governor of the World Bank for Peru, opined that "efforts to increase the domestic saving of developing countries must be complemented by an improvement in the flows of external financing," including "increasing the concessional and nonconcessional flows from official credit sources."

Developing Country Policies

U.S. Governor Brady commented that, "in the developing countries, sound market-based policies and commercial bank debt reduction are revitalizing economies, especially in Latin America." He also noted that "most major debtors have reached debt-reduction or refinancing agreements with their commercial banks." At the same time, he said, "this revitalization has not touched every corner of the world. The lesson for these developing countries is that debt reduction alone cannot produce dramatically improved economic performance."

Pakistan's Governor Aziz: the negative net resource flows to some developing countries are worrisome.

Commenting on developing countries' economic reform efforts, Ramon R. Del Rosario, Jr., Governor of the World Bank for the Philippines, stated that "success lies primarily through steadfast pursuit of internal reforms, albeit difficult and painful, to correct macroeconomic and structural deficiencies." Pakistan's Governor Aziz observed, in the same vein, that "there can

be no substitute for self-help and self-discipline in economic management."

Trade Issues

Governors strongly supported the early conclusion of the Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade. Robin Leigh-Pemberton, Governor of the World Bank for the United Kingdom, pointed out that "free and open trade is a vital spur to strengthening the expansion of output in the industrial countries and providing a conducive environment for investment and growth in the developing world." In light of this, he said, an early conclusion of the Uruguay Round "remains of central importance." U.S. Governor Brady noted that "a rapid and successful conclusion of the Uruguay Round is our top trade policy priority," adding that "we cannot afford to lose the gains from increased trade and investment that this confidence-building agreement would create."

Commenting on regional trade agreements, Belgium's Governor Maystadt suggested that the skepticism that such agreements had initially aroused might not be warranted. He noted that the creation of the single market in the European Community "has already made it possible to conclude association and trade integration agreements with three Central European countries, and others are in preparation." He added that a similar movement was beginning between the signers of the North American Free Trade Agreement (NAFTA) and the countries of Latin America.

Maystadt expressed the view that, "besides their purely economic effects, these agreements open up the prospect for the countries concerned to belong henceforth to regions of the world in which the principles of democracy and the market economy have existed unquestioned for many decades." At the same time, however, he pointed out that "it would be unrealistic to regard these agreements as a lasting substitute for the elimination of protectionism throughout the world."

Governor Hata of Japan stated that "regional cooperation and integration should not devolve into economic blocs or resurgent protectionism. It is vital to the development of the world economy that, while each region uses its own particular strengths to achieve development, it keeps its markets open to others, thereby promoting a multilateral free trade system. In this sense, too, an early and successful conclusion of the Uruguay Round is very important."

Environmental Concerns

Governor Hata of Japan noted that his country was "encouraged by the international agreement reached in June at the United Nations Conference on Environment and Development that environmental protection and economic development are compatible goals and that the achievement of global environmental protection and sustainable development will be promoted through their integration." He added that "it is important for these ideas to become part of the development programs of developing countries and the development assistance programs of industrial countries."

SDR Rates

Week Beginning	Rate of SDR Interest and Charges (percent)
September 28	5.87
October 5	5.80

The rate of SDR interest and charges is calculated weekly, by reference to a combined market interest rate, which is the weighted average of interest rates on specified short-term domestic obligations in the money markets of the five countries whose currencies constitute the SDR valuation basket (U.S. dollar, deutsche mark, Japanese yen, French franc, and pound sterling). The interest rates used are those that prevail each Friday. For the latest weekly rates call (202) 623-7171.

Data: IMF Treasurer's Department

Cooperation Is Essential

(continued from front page) resource flows to the developing world; and operational issues concerning the IMF and the World Bank.

These topics were also covered in the meetings of the two key advisory groups, which preceded the plenary sessions: the Interim Committee of the IMF's Board of Governors on the International Monetary System; and the Joint Ministerial Committee of the Boards of Governors of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries (Development Committee).

Interim Committee

The Interim Committee, which was chaired by Carlos Solchaga, Spain's Minister of Economy and Finance, observed in its communiqué (see page 310) that although recovery is under way in the industrial countries, it remains "sluggish and uneven," and that unemployment is "unacceptably high." The Committee added that the turmoil in the currency markets around mid-September "forcefully illustrates the importance of reinforced policy coordination, a firm implementation of the medium-term strategy, and continuing efforts toward economic convergence in Europe."

The Committee welcomed the "steady and successful" implementation by many developing countries of macroeconomic and structural reforms, which have had positive results, despite the weak global environment over the past year. The countries of Central and Eastern Europe have also made progress in reforming their economies under IMF-supported programs, according to the Committee. However, the "prolonged weakness of

activity in some countries underlines the need to carry through further reforms quickly."

The Committee commended the adoption of the first IMF-supported programs by some states of the former U.S.S.R. It pointed out that the task of building a wholly new economic system remains challenging, adding that the availability of external financing will depend on the strength of the adjustment effort. Particular attention is needed in the areas of monetary reform and cooperation, the Committee noted—whether in the context of the ruble area or of the establishment of new currencies.

More than sixty Governors addressed the Annual Meetings' plenary sessions.

The Interim Committee welcomed the further gains under the debt strategy, although a number of countries "have yet to secure decisive solutions to their debt problems." The Committee commended the Paris Club's provision of greater debt relief for low-income countries and its readiness to consider a reduction in the stock of debt after a suitable adjustment period.

With regard to operational issues, the Committee welcomed the extension of the IMF's enhanced structural adjustment facility (ESAF) to November 1993, and the Executive Board's intention to examine the options and modalities for a possible successor facility. Expressing deep concern that the proposed Third Amendment of the IMF's Articles of Agreement and the quota increases under the Ninth General Review had yet to take effect, it strongly urged members that had not completed the necessary procedures to do so promptly.

Development Committee

The Development Committee, which was chaired by Alejandro Foxley, Minister of Finance for Chile, reviewed the resources needed to reduce poverty and achieve sustainable growth and the actions necessary to enhance the size and effectiveness of these resources.

In its communiqué (see page 313), the Committee noted that most developing countries fund their investment largely from domestic savings. The top priority, therefore, is to increase the volume of these savings and the effectiveness of their use.

Developing countries also need to increase their earnings from trade to finance imports, service debt, and promote growth. The Committee therefore stressed the need for rapid agreement on the outstanding issues in the Uruguay Round. This would lead to a more liberal and stable world trading system, in which developing countries would have greater market access.

The Committee welcomed the increasing access of some developing countries to the international financial markets but added that commercial bank lending to developing countries was unlikely to return to previous levels. These countries' reform efforts need to be supported by rescheduling and, in some cases, debt- and debt-service-reduction measures—both private and public—the Committee noted. It urged the Paris Club to consider the special situation of some highly indebted lower-middle-income countries.

Noting the continuing need among poorer developing countries for "substantial concessional assistance," the Committee invited donors—especially those whose aid amounts to less that 0.7 percent of GNP—to increase such assistance. But the quality and effectiveness of aid was also important.

With regard to multilateral actions, the Committee urged the International Development Association (IDA) Deputies to secure agreement by the end of 1992 on a substantial IDA-10 Replenishment. It also urged the IMF's Executive Board to complete, before November 1993, its review of the effectiveness of ESAF programs, and of the options and modalities for a successor facility.

The Development Committee noted, with great concern, the problems of drought in southern and eastern Africa, the severe famine in Somalia, the widespread flooding in the Indian subcontinent, and the problems of many war-affected countries. It called for the active cooperation of all governments to address the immediate problems and to lay the foundations for future recovery and development.

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COMMUNIQUES

Interim Committee . . .

Economic Recovery Remains Sluggish and Uneven

Following is the press communiqué issued after the meeting of the Interim Committee of the Board of Governors of the IMF on September 20–21 in Washington, D.C.:

1. The Interim Committee of the Board of Governors on the International Monetary System held its thirty-ninth meeting in Washington, D.C. on September 20–21, 1992 under the chairmanship of Mr. Carlos Solchaga, Minister of Economy and Finance of Spain. The Committee warmly welcomed the many countries that have recently become members of the IMF.

2. In industrial countries, recovery is under way, but it remains sluggish and uneven, unemployment is unacceptably high, and recent exchange market tensions have increased uncertainty. Inflation and interest rates have declined significantly in a number of countries. The Committee observed that the recent currency turmoil forcefully illustrates the importance of reinforced policy coordination, a firm implementation of the medium-term strategy, and continuing efforts toward economic convergence in Europe. The Committee welcomed the actions recently taken to reduce market tensions. It noted the resolve of major industrial countries to cooperate closely, to take appropriate additional actions, as needed, to strengthen growth without rekindling inflation, and to foster greater currency stability. Mindful of the international implications of their policy actions, key countries need to cooperate closely in implementing measures to bolster confidence and improve the balance between their fiscal and monetary policies, thereby facilitating a narrowing of interest rate differentials.

Against this background, the Committee reaffirmed the importance of policies aimed at ensuring that the recovery gathers pace in an environment conducive to stronger, sustainable, noninflationary growth into the medium term. Monetary and fiscal policies should aim at a lasting decline in long-term interest rates through a reduction in public sector borrowing and a further lowering of inflation expectations. Vigorous action must be taken to eliminate structural rigidities that impede employment and productivity growth. An early, successful conclusion of the Uruguay Round would be an invaluable contribution to this effort. Freer markets and a stable trading environment are essential to regenerating world economic growth and to the success of the reform efforts of developing countries and economies in transition. It is a matter of concern that barriers to trade in industrial countries have increased since the commencement of the Uruguay Round negotiations.

3. The Committee welcomed the steady and successful implementation in many developing countries of sound macroeconomic policies and structural reforms. This has resulted in stronger growth, lower inflation, and increased per capita incomes, despite the weak international environment over the past year. This performance has been accompanied in a number of countries by a reversal of capital flight and substantial inflows of foreign investment. These countries' adjustment and reform efforts need to be sustained and emulated by others. The Committee called for prompt international assistance to alleviate the dire consequences of the severe drought in southern and eastern Africa.

4. The Committee praised the progress being made by the countries of Central and Eastern Europe in reforming their economies under Fund-supported programs. There has been progress against inflation, and there is some evidence that the sharp contraction of output may be coming to an end. Improved performance is being led by an expanding private sector and growing exports. However, the prolonged weakness of activity in some countries underlines the need to carry through further reforms quickly. In fact, in all former centrally planned economies, firm actions are needed to reinforce budgetary and monetary discipline, hand in hand with accelerating structural reforms, institution-building, privatization, and measures to foster increased domestic and foreign investment. Many of the states of the former Soviet Union have made major efforts to liberalize prices and prepare the framework for open, market-oriented economies. The Committee

welcomed the first Fund arrangements, which have been negotiated with the Russian Federation and the Baltic countries. The task of building a wholly new economic system remains challenging, requiring both perseverance and external assistance, technical and financial. The availability of external financing will depend on the strength of the adjustment effort in each country. The Committee drew particular attention to the need for monetary reform and cooperation, whether in the context of the ruble area or the establishment of new currencies. The setting up of efficient payments and settlements systems within and between the nations concerned should be a priority. More generally, the Committee called on these states to develop cooperation conducive to financial stability and free trade, consistent with the multilateral principles of their membership in the Bretton Woods institutions.

5. The Committee noted that the increasing number of strong programs of stabilization and reform in developing countries and in countries in transition to market economies renders the need for well-targeted international financial support particularly pressing. It invited member countries to support these efforts to the best of their ability.

6. The Committee welcomed the evidence of further gains under the debt strategy. A number of developing countries, however, have yet to secure decisive solutions to their debt problems. The Committee commended the Paris Club's provision of greater debt relief for low-income countries in the framework of strong adjustment programs, and its readiness to consider a reduction of the stock of debt after a suitable period of adjustment. The Committee also encouraged the Paris Club to recognize the special situation of some highly indebted lower-middle-income countries on a case-by-case basis. The Committee commended those countries that continued to service their debt, often under difficult circumstances.

7. The Committee welcomed the extension to November 1993 of the period for commitments under the Fund's enhanced structural adjustment facility (ESAF), and the Executive Board's intention to review the effectiveness of ESAF programs and examine the options and operational modalities of a possible successor facility. It urged that this work be completed in good time before November 1993.

8. The Committee expressed deep concern that the proposed Third Amendment of the Articles of Agreement and the quota increases under the Ninth General Review of Quotas had not yet entered into effect, despite continued progress in the number of member countries' acceptances and consents. It strongly urged the members that have not yet completed their procedures to do so promptly, thus giving the Fund sufficient liquidity to continue to provide balance of payments financing in support of strong adjustment programs.

9. The Committee took note of the Executive Board's work on the role of the SDR in the provision of international liquidity and requested that the Board continue to keep the matter under review.

10. The Committee agreed to hold its next meeting in Washington, D.C., on April 30, 1993.

G-7 Ministerial Communiqué . . .

Leaders Resolve to Cooperate To Foster Currency Stability

Following is the communiqué issued by the Ministers of the Group of 7 (G-7) after their meetings on September 19 in Washington, D.C.:

The Ministers and Governors reaffirmed the commitment made by their heads of state and government at the Munich summit to strengthen world growth without rekindling inflation. Since then, measures to reinforce economic recovery have been taken, including interest rate reductions in a number of countries as well as the recent announcement of the Japanese stimulus package. These measures will strengthen the global economic recovery and foster greater stability of exchange markets.

The Ministers and Governors expressed concern about the recent volatility in world financial markets. They agreed on the importance of restoring stable and long-lasting exchange rate relationships. The Ministers and Governors will continue to cooperate and to monitor closely economic and financial conditions in their countries and will take appropriate additional actions, as needed, to achieve sustained growth and greater currency stability.

The Ministers and Governors also met with representatives of the Russian Federation and discussed Russia's reform program. They urged Russia to intensify its efforts to implement comprehensive economic reform. They also urged the World Bank to form a technical assistance support group for Russia to discuss bilateral and multilateral technical assistance.

Group of 10 Communiqué . . .

Economic Recovery Less Robust Than Desired

Following is the press communiqué issued after the meeting of the Ministers and Central Bank Governors of the Group of 10 held on September 20, in Washington, D.C.:

1. The Ministers and Central Bank Governors of the countries participating in the General Arrangements to Borrow (GAB) met in Washington on September 20, 1992. The meeting was chaired by Mr. D. Mazankowski, Minister of Finance of Canada. The Managing Director of the International Monetary Fund, Mr. M. Camdessus, took part in the meeting, which was also attended by Mr. J.-C. Paye, Secretary-General of the Organization for Economic Cooperation and Development, Mr. H. Tietmeyer, Chairman of Working Party No. 3 of the Organization for Economic Cooperation and Development, Mr. A. Lamfalussy, General Manager of the Bank for International Settlements, and Mr. H. Christophersen, Vice President of the Commission of the European Communities.

2. The Ministers and Governors noted that, while the recovery in some industrial countries was under way, it was less robust and widespread than desired. Some countries have taken steps to stimulate activity. However, for most countries it is imperative to reduce government deficits. Continuing good performance with respect to inflation should provide further scope for an easing of monetary conditions. Fiscal consolidation and lower inflation will facilitate a much-needed reduction in real long-term interest rates and a restoration of business and consumer confidence, and improve the prospects for sustainable growth. The Ministers and Governors expressed concern about the recent turbulence in the currency markets. They welcomed the reductions in short-term interest rates that have taken place in a number of countries. The Minsters and Governors will continue to cooperate to achieve greater stability in exchange markets. They stressed that, in addition to appropriate fiscal and monetary policies, further structural reform—notably reducing labor market rigidities—would provide strong support to noninflationary growth. The Ministers and Governors urged an early and successful conclusion of the Uruguay Round.

3. The Ministers and Governors welcomed the progress achieved in Central and Eastern European countries in reducing inflation and in creating an economic and institutional environment that should permit a resumption of growth, following the sharp contraction of output in recent years. The lessons to date demonstrate the need to pursue macroeconomic policies and structural adjustment measures in a closely coordinated and ambitious manner. In the countries of the former Soviet Union, strong efforts have been made to liberalize prices and take other measures to begin the process of transformation to market economies, which, among other things, will require a speeding up of privatization and the removal of rigidities in the enterprise sector to strengthen microeconomic efficiency. To make further progress in reducing inflation and stabilizing the ruble over the months ahead, it will be necessary to take additional strong monetary and fiscal measures and to enhance mobilization of Russia's foreign exchange earnings. The prompt achievement of satisfactory arrangements for coordinating monetary policy between the states in the ruble area is essential for monetary stability throughout the area. The Ministers and Governors reiterated their support for a ruble stabilization fund, provided appropriate conditions were met.

Donald Mazankowski, Canada's Minister of Finance and Group of 10 Chairman.

4. The Ministers and Governors welcomed the continued substantial progress realized by a large number of developing countries that have put in place strong macroeconomic and structural adjustment programs. Their continued strong performances in the face of a weak external environment were testimony to the adjustment programs they have pursued.

5. The Ministers and Governors reviewed the provisions of the GAB and endorsed the proposed amendment to, and the renewal of, the Arrangements for a further five-year period from December 26, 1993.

6. The Ministers and Governors expressed concern that the Third Amendment of the Articles of Agreement and the quota increases under the Ninth General Review had not yet entered into effect. Given the need to provide the Fund with sufficient liquidity to continue its lending programs, they urged members that have not yet completed their procedures to do so promptly.

7. Mr. N. Brady, Secretary of the U.S. Treasury, was elected Chairman of the Group of 10 for the coming year.

Development Committee . . .

Top Priority for Developing Countries Is to Improve Savings Performance

Following is the press communiqué of the Development Committee of the Boards of Governors of the World Bank and the IMF issued on September 22, in Washington, D.C.:

1. The Development Committee held its forty-fourth meeting in Washington, D.C., on September 21, 1992 under the chairmanship of Mr. Alejandro Foxley, Minister of Finance of Chile. Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Ahmadu Abubakar, Minister of Finance and Economic Development of Nigeria and Chairman of the Group of 24, and Mr. Peter Mountfield, Executive Secretary, participated in the meeting. Observers from a number of other international and regional organizations and from Switzerland also attended. After reviewing the world economic scene, Ministers concentrated on ways of increasing resources for development. The Committee welcomed the new members that have joined the Bank and the Fund since its last meeting.

2. Development Objectives. Ministers recalled their agreement at their meeting in Bangkok on the development objectives of the 1990s: the reduction of poverty and the achievement of sustainable growth, actions to protect the environment being essential to both objectives. They reviewed the resources necessary to reach these objectives, and the actions which would be necessary to increase their volume and effectiveness.

3. Domestic Resources. They noted that most developing countries fund the major part of their investment from domestic savings, both public and private. They concluded, therefore, that the top priority is for developing countries, wherever possible, to increase the volume of these savings and the effectiveness of their use. This will require the adoption and maintenance of appropriate macroeconomic policies; reduction in wasteful and unproductive programs; and efficient financial and banking systems.

4. Trade. Ministers agreed that a much more open world trading system would be beneficial to all countries but is of the utmost importance to the developing countries. In the context of resource flows, developing countries need to increase earnings from trade in order to finance imports, service debt, and promote sustainable domestic economic growth. Increased export opportunities will also make developing countries more attractive to investors. They therefore emphasized once again the need for rapid agreement on the outstanding issues in the Uruguay Round, noting that this would lead to a broader, more liberal and more stable trading system, and extend market access for many deve-loping countries. They agreed that regional trade arrangements should emphasize trade creation rather than trade diversion, consistent with multilateral principles, and should ensure trade opportunities for developing countries.

5. Foreign Investment. For most developing countries, earnings from trade must be supplemented by external resources. For a growing number of them, a large part of these resources is now provided by private foreign investors in the form of foreign direct investment (FDI). Ministers noted the recent increase in portfolio investment, while recognizing that its higher liquidity made its impact different from FDI. Ministers considered the measures necessary to attract more private flows and concluded that the measures which promote domestic investment are lik ly also to attract foreign investors and the return of flight capital. They concluded that the maintenance of macroeconomic stability and the creation of a climate favorable to enterprise are essential, both to attract more investment and to increase the number of countries receiving foreign flows.

Alejandro Foxley, Chile's Minister of Finance and Chairman of the Development Committee.

6. Investment Guidelines. Additional measures may be needed to attract foreign investment. The creation and maintenance of a suitable legal framework can be an important part of this process. Ministers therefore reviewed with interest the Investment

Guidelines which will shortly be published, together with an explanatory commentary, and called them to the attention of member countries. These Guidelines have been prepared at the request of the Development Committee to promote fair and equitable international standards for the general treatment of all foreign direct investment in the absence of applicable treaties and should be of particular value to developing countries. Ministers expect the Guidelines to serve as an important step in the progressive development of international practice in this area and hope that they will facilitate further developments through bilateral treaties and similar instruments. They also noted the related work being undertaken in other forums to develop principles for the conduct of foreign investors.

Venezuela's Ricardo Hausmann, the next Development Committee Chairman.

7. Commercial Bank and Market Lending. Ministers welcomed the increasing access of certain developing countries to the international financial markets, especially by those which are implementing sustainable economic reforms, and have entered into debt and debt-service agreements with the commercial banks. They considered that some increase in the volume of trade finance and project lending provided by the banks may occur, but noted that commercial bank lending to developing countries was unlikely to return to previous levels. They noted the active role taken by the Inter-American Development Bank and other regional banks in promoting effective investment reforms which are essential for nurturing a stable financial environment. They believed that the international financial institutions should continue to encourage the efficient mobilization of financial resources by promoting effective investment reforms, privatization, and financial sector reforms. Ministers noted the improved economic performance achieved by the developing countries following the implementation of debt and debt-service reduction and therefore encouraged the timely conclusion of negotiations between other countries and their commercial banks.

8. Increasing Nonconcessional Flows. Ministers agreed to review, at their next meeting, the prospects for increasing the flows of private resources and improving the access of developing countries to global markets for loan and equity capital. Members agreed on the need to gather accurate and timely information on the stocks and flows of private capital to deve-loping countries and to assess the implications of these developments. They asked the Bank and the Fund to prepare a joint paper for this purpose, which would also include the role of the international financial institutions in promoting and catalyzing such flows and the extent of any remaining obstacles placed by developing and industrial countries to resource flows.

9. Debt. Ministers recognized that the efforts of many developing countries need to be supported by rescheduling and, in some cases, by debt- and debt-service-reduction measures, both public and private. Ministers welcomed the progress in the international debt strategy, including arrangements this year with Argentina, Bolivia, and Brazil, among others. Such arrangements have now been reached with 12 countries and account for more than 90 percent of the commercial bank debt of the major debtor nations. They urged the Paris Club to recognize the special situations of some highly indebted lower-middle-income countries on a case-by-case basis. Ministers also welcomed the enhanced debt relief extended to the poorest countries by the Paris Club, noting that the Paris Club has agreed to consider the stock of debt, under certain conditions, after a period of three to four years. They invited the Paris Club to maintain its continuing review of the debt strategy. They acknowledged the continued need for support for heavily indebted countries which, by adopting strong adjustment policies, have avoided rescheduling.

The Philippines' Secretary of Finance, Ramon R. Del Rosario, Jr.

10. Bilateral Aid. Poorer developing

countries will continue to require substantial concessional assistance for many years. A number of additional countries have recently become potential recipients of aid, while new requirements, especially in the environmental field, have added to the needs. The Committee noted that the World Bank and the IMF believe that an increased volume of external resources, to complement the efforts of the developing countries, will be crucial in meeting those needs. Ministers therefore invited bilateral donors to increase their assistance, particularly for countries that are sustaining sound policies, as circumstances permit, especially those whose aid programs are still below 0.7 percent of GNP, and welcomed the contribution of those whose aid is substantially above that level. They stressed the need for donors and recipients to emphasize the quality and effectiveness of aid, and for an increased proportion to be directed toward improving the living conditions of the poor, and to the poorest countries and those with a strong commitment to poverty reduction.

El Salvador's Minister of Planning, Mirna Liseano de Marques.

11. Multilateral Flows. Ministers recognized the need for multilateral action to complement that of bilateral donors. They noted the ongoing negotiations over the Tenth Replenishment of IDA [International Development Association]. They urged the IDA Deputies to make significant progress at their meeting in November 1992 so as to secure agreement by the end of the year on a substantial IDA-10 replenishment. Ministers also agreed that continuing consideration should be given to an Earth Increment for environmental purposes. They welcomed the extension to November 1993 of the period for commitments under the Fund's enhanced structural adjustment facility (ESAF) and the Executive Board's intention to review the effectiveness of ESAF programs and examine the options and operational modalities of a possible successor facility. They urged that this work be completed in good time before November 1993. They welcomed the Bank's assurance that the current capital base of the IBRD is sufficient to sustain and enhance the volume of lending to existing borrowing members, while providing substantial support for the economic reform and adjustment efforts of the countries of the former Soviet Union. Ministers agreed to review the effectiveness of the Bank's lending at a future meeting.

12. Environment. Ministers welcomed the wide-ranging consensus reached at the United Nations Conference on Environment and Development (UNCED). They recognized the ongoing financing needs associated with Agenda 21. They also noted that UNCED called for additional funding to be channeled through existing institutions, including the Global Environment Facility, which will be restructured on lines to be agreed upon by the participants. Ministers urged the World Bank to play a full part in carrying forward the results of UNCED, in collaboration with other agencies in the UN system, to the regional banks, and to report progress to the Committee at its meeting in September 1993.

Botswana's Vice-President and Minister of Finance, Festus G. Mogae.

13. Drought, Famine, and War. The Committee noted with great concern the problems of drought in southern and eastern Africa, the severe famine in Somalia, widespread flooding in the Indian subcontinent, and the problems of several war-affected countries. They welcomed the coordinated international action now under way to alleviate suffering in many of these areas, and called for the active cooperation of all governments and agencies concerned, both to overcome the immediate problems and to lay the foundations for future recovery and development.

14. Departure of Chairman. The Committee placed on record its special appreciation of the distinguished record of Mr. Alejandro Foxley during his two years as its Chairman.

15. Spring Meeting. The Committee agreed to meet again in Washington, D.C., on May 1, 1993.

IMF ACTIVITIES

From The Executive Board . . .

Zimbabwe: Use of Resources. The IMF has approved the use of its resources by the Government of Zimbabwe, totaling the equivalent of SDR 315.2 million (about $459 million) over the next three years in support of Zimbabwe's 1992–95 economic reform program. Of this total, semiannual loans adding up to the equivalent of SDR 200.6 million (about $296 million) may be drawn under the enhanced structural adjustment facility (ESAF), of which SDR 85.1 million (about $125 million) is available in support of the first annual program. An amount equivalent to SDR 114.6 million (about $169 million) is available under the extended Fund facility (EFF) over the three-year period; it replaces the EFF approved in January 1992.

Zimbabwe's 1992 macroeconomic performance is being adversely affected by the severe drought in southern Africa. The production of major crops will decline by an estimated 50–75 percent; real GDP is projected to fall by about 9 percent, inflation to rise to 40 percent, and the balance of payments deficit to widen sharply.

To rectify this situation, the authorities have adopted a medium-term program of fiscal, monetary, pricing, and other structural measures to help alleviate the adverse consequences arising from the drought. Following the sharp decline expected in 1992, real GDP is projected to grow at a relatively high rate during the next three years, with the rate of inflation being reduced rapidly.

The program for 1992/93 is geared toward containing the external and domestic imbalances caused by the drought as a basis for achieving satisfactory economic growth over the medium term, restoring economic stability, and achieving progress in implementing structural reforms. The strategy relies on a tight fiscal policy stance, requiring strict limits on recurring and non-drought-related expenditures. Monetary policy under the program aims at maintaining tight liquidity conditions and keeping interest rates at positive real levels. The Government will rely mostly on grants and concessional resources to finance its balance of payments deficit. Structural reform measures include public enterprise reform, streamlining of the civil service, deregulation of prices, and liberalization of imports.

Zimbabwe joined the IMF on September 29, 1980, and its quota in the IMF is SDR 191 million (about $282 million). Its outstanding financial obligations to the IMF currently total SDR 71.2 million (about $105 million).

Press Release No. 92/66, September 14

Latvia: Stand-By Credit. The IMF has approved a stand-by credit for Latvia, authorizing drawings up to the equivalent of SDR 54.9 million (about $81 million) over the next 12 months in support of the Government's economic and financial reform program. This is the first use of IMF financing by Latvia, which joined the IMF on May 19, 1992 with a quota of SDR 61 million (about $90 million).

Important steps have already been taken toward developing a market economy in Latvia, but the authorities recognize that further measures will be necessary to stabilize the economy and obtain the external financing necessary to ensure a successful completion of the transformation process. With this in mind, they have formulated a comprehensive economic reform program for the year ending June 1993, which the stand-by credit supports. The main elements of the program include continued liberalization of prices and of the exchange and trade system, together with a number of systemic reforms that include accelerating the privatization process to reduce the role of the Government in the economy. These measures will be supported by appropriate fiscal, monetary, and incomes policies aimed mainly at reducing inflation to relatively low levels by the end of the program period. Following Latvia's decision to leave the ruble area, the authorities consider it crucial to establish a strong anti-inflation policy to stabilize the exchange rate for the Latvian ruble and to create the necessary conditions for eventually introducing a new national currency, the lats.

Latvia's economic program is being launched against the background of an unfavorable external environment marked, in particular, by a sharp contraction in trade with Russia and other members of the ruble area and the worsening terms of trade resulting from the shift to world market prices for imports of energy and raw materials. The authorities believe the only way to deal with these developments is to speed up the reform process in order to create the basis for sustained economic growth and a viable balance of payments position over the medium term. Although it is hoped that the fall in output and the rise in unemployment can be limited, it is also recognized that if the hoped-for external assistance is not forthcoming, the decline in output and employment could be significantly larger than anticipated.

Since the beginning of 1991, substantial progress has been made in liberalizing prices, and, at present, less than 8 percent of goods and services, as measured by their weight in the consumer price index, are subject to administrative controls. The Latvian authorities will continue to review the situation, giving particular emphasis to remaining energy prices that are still subject to controls.

The program also contains a number of structural measures that will be undertaken in the fiscal area, including a complete revision of the value-added tax to be implemented by the end of this year. Measures will also be taken to improve the management of government expenditure.

The Government has already taken a number of initiatives to establish a social safety net to protect the most vulnerable groups of the population. In the expectation that the transition to a market economy will place an unusually heavy burden on the social security system, the Govern-

ment is preparing measures to make the system more cost effective and to ensure that benefits are channeled to the most needy.

The authorities recognize that the implementation of structural and systemic reforms will be crucial for the overall success of the reform program. Although progress has been limited in some areas, the Government is determined to speed up the reform process. A comprehensive set of privatization laws will be completed before the end of 1992, and steps are being taken to improve the financial discipline of enterprises, including adopting a new accounting law, establishing bankruptcy procedures, and implementing measures to deal with the problem of interenterprise arrears.

Press Release No. 92/67, September 15

Stand-By, Extended, Structural Adjustment Facility (SAF), and Enhanced Structural Adjustment Facility (ESAF) Arrangements as of August 31, 1992

(million SDRs)

Member	Date of Arrangement	Expiration Date	Amount Agreed	Undrawn Balance
Stand-by arrangements			**5,907.69**	**4,212.73**
Albania	August 26, 1992	August 25, 1993	20.00	13.75
Barbados	February 7, 1992	May 31, 1993	23.89	12.29
Brazil	January 29, 1992	August 31, 1993	1,500.00	1,372.50
Bulgaria	April 17, 1992	April 16, 1993	155.00	62.00
Cameroon	December 20, 1991	September 19, 1992	28.00	20.00
Costa Rica	April 8, 1991	September 30, 1992	33.64	8.00
Côte d'Ivoire	September 20, 1991	September 19,1992	82.75	49.65
Czechoslovakia	April 3, 1992	April 2, 1993	236.00	218.00
Dominican Republic	August 28, 1991	March 27, 1993	39.24	39.24
Ecuador	December 11, 1991	December 10, 1992	75.00	58.44
Egypt	May 17, 1991	November 20, 1992	278.00	130.80
El Salvador	January 6, 1992	March 5, 1993	41.50	41.50
Gabon	September 30, 1991	March 23, 1993	28.00	24.00
India	October 31, 1991	June 30, 1993	1,656.00	924.00
Jamaica	June 28, 1991	September 30, 1992	43.65	10.95
Jordan	February 26,1992	August 25, 1993	44.40	29.60
Mongolia	October 4, 1991	December 31, 1992	22.50	8.75
Morocco	January 31, 1992	March 31, 1993	91.98	73.58
Nicaragua	September 18, 1991	March 17,1993	40.86	23.83
Panama	February 24, 1992	December 23, 1993	93.68	68.63
Papua New Guinea	July 31, 1991	September 30, 1992	26.36	26.36
Philippines	February 20, 1991	December 31, 1992	264.20	150.95
Romania	May 29, 1992	March 28, 1993	314.04	104.68
Russia	August 5, 1992	January 4, 1993	719.00	719.00
Uruguay	July 1, 1992	June 30, 1993	50.00	34.03
Extended arrangements			**12,417.75**	**6,297.73**
Argentina	March 31, 1992	March 30, 1995	2,149.25	2,003.17
Hungary	February 20, 1991	February 19, 1994	1,114.00	556.77
Mexico	May 26, 1989	May 25, 1993	3,729.60	466.20
Poland	April 18, 1991	April 17, 1994	1,224.00	1,147.50
Venezuela	June 23, 1989	March 22, 1993	3,857.10	1,851.50
Zimbabwe	January 24, 1992	January 23, 1995	343.80	272.60
SAF arrangements			**76.44**	**39.95**
Burkina Faso	March 13, 1991	March 12, 1994	22.12	15.80
Comoros	June 21, 1991	June 20, 1994	3.15	2.25
Lao P.D.R.	September 18, 1989	September 17, 1992	20.51	—
Rwanda	April 24, 1991	April 23, 1994	30.66	21.90
ESAF arrangements			**1,819.15**	**701.14**
Bangladesh	August 10, 1990	August 9, 1993	345.00	57.50
Burundi	November 13, 1991	November 12, 1994	42.70	29.89
Guinea	November 6, 1991	November 5, 1994	57.90	49.22
Guyana	July 13, 1990	July 12, 1993	81.52	17.71
Honduras	July 24, 1992	July 23, 1995	40.68	33.90
Kenya	May 15, 1989	August 1, 1992	261.40	45.23
Lesotho	May 22, 1991	May 21, 1994	18.12	10.57
Malawi	July 15, 1988	September 29, 1992	66.96	5.58
Mali	August 28, 1992	August 27, 1995	60.96	60.96
Mozambique	June 1, 1990	May 31, 1993	100.65	30.50
Sri Lanka	September 13, 1991	September 12, 1994	336.00	224.00
Tanzania	July 29, 1991	July 28, 1994	181.90	128.40
Togo	May 31, 1989	May 19, 1993	46.08	7.68
Uganda	April 17, 1989	November 27, 1992	179.28	—
TOTAL			**20,221.03**	**11,251.55**

Note: Figures may not add to totals because of rounding.

Data: IMF Treasurer's Department

Bangladesh: Enhanced Structural Adjustment Facility. The IMF has approved a loan equivalent to SDR 57.5 million (about $85 million) for the Government of Bangladesh under the enhanced structural adjustment facility (ESAF) in support of the country's economic and financial program for 1992/93. This is the third installment of a three-year ESAF credit consisting of SDR 345 million (about $509 million), approved by the IMF in August 1990 and including an augmentation of SDR 86.3 million (about $127 million) approved in September 1991. Loans totaling SDR 287.5 million (about $424 million) have already been disbursed during the first two annual programs supported by the ESAF.

Since the adoption of its ESAF-supported medium-term economic program in 1990/91, Bangladesh has made consistent efforts to reduce its financial imbalances despite adverse external developments. Under the second year of the ESAF program, Bangladesh successfully introduced a value-added tax and mobilized sufficient savings to finance the first phase of the civil service salary increase. Prudent financial policies, coupled with subdued domestic demand, helped check inflation and improve the balance of payments position. However, although structural reforms were implemented in the finance and trade areas, progress was rather limited in the public enterprise and industrial sectors.

The main objectives of the third-year ESAF program for 1992/93 are faster output growth to raise living standards, containment of inflation, continued progress toward external viability, and accelerated efforts to increase economic efficiency. Real GDP growth is targeted to rise to 5 percent a year from the 3.2 percent

recorded in the last two fiscal years, while inflation is to be contained at about 5.5 percent.

Fiscal consolidation remains at the heart of the adjustment effort. The authorities aim to lower the budget deficit and improve the management of public sector resources. Revenues are being bolstered through structural measures that will further broaden the tax base and strengthen tax administration. Current expenditure will be contained through a substantial elimination of subsidies and cuts in less essential outlays. At the same time, a sizable real increase in spending on infrastructure and on social sectors is being targeted.

In the area of structural adjustment, the ongoing financial sector reforms are expected to encourage private investment by fostering a market-oriented and financially viable banking system supported by strengthened banking supervision, and to sustain competitiveness and sound financial discipline. Strong policy actions are envisaged in trade and tariff reform, and continued efforts will be undertaken in public enterprise reform and privatization.

Bangladesh joined the IMF in 1972. Its quota is SDR 287.5 million (about $424 million), and its outstanding financial obligations to the IMF currently total the equivalent of SDR 518.7 million (about $765 million).

Press Release No. 92/68, September 15

Estonia: Stand-By Credit. The IMF has approved a stand-by credit for Estonia, authorizing drawings up to the equivalent of SDR 27.9 million (about $41 million) over the next 12 months in support of the Government's stabilization and reform program.

The Estonian economy is currently experiencing a severe contraction, not only because of the collapse of the command economy at home, but also because of a sharp reduction in trade with the states of the former U.S.S.R. and the need to adjust to a substantial worsening of the terms of trade arising from the shift of energy prices toward world market levels. Despite these difficulties, the Government has put in place the basic elements of a strong stabilization and structural reform program. Fiscal balance has been maintained despite a sharp fall in output, laying a strong foundation for the currency reform of June 20,

Currency Units per SDR

	AUGUST						SEPTEMBER			
Currency	21	24	25	26	27	28	31	1	2	3
Deutsche mark	2.11173	2.09047	2.07496	2.07513	2.08458	2.08007	2.09039	2.07484	2.06613	2.07209
French franc	7.16596	7.1138	7.09192	7.08706	7.09539	7.09993	7.12811	7.07278	7.05791	7.06315
Japanese yen	183.825	184.094	184.171	184.53	184.566	182.47	182.243	182.59	182.481	182.964
Pound sterling	0.751787	0.745639	0.742577	0.743578	0.745591	0.745834	...	0.744282	0.741779	0.742741
U.S. dollar	1.45546	1.4704	1.4781	1.47801	1.47299	1.47869	1.48286	1.48447	1.48964	1.48526
Argentine peso	1.44163	1.45643	1.46406	1.46397	1.458	1.46464	1.46877	1.47037	1.47549	1.47115
Australian dollar	2.01643	2.06372	2.06583	2.06715	2.0607	2.05745	2.07858	2.07241	2.06865	2.06286
Austrian schilling	14.834	14.704	14.6184	14.6175	14.6651	14.6361	14.707	14.6131	14.5612	14.5838
Bahrain dinar	0.547253	0.55287	0.555766	0.555732	0.553844	0.555987	0.557555	0.558161	0.560105	0.558458
Bangladesh taka	56.7629	57.3456	57.6459	57.6424	57.4466	57.6689	57.8315	57.8943	58.096	57.9251
Belgian franc	43.5401	43.0202	42.8095	42.7773	42.945	42.8286	43.1179	42.8604	42.7378	42.7012
Brazilian cruzeiro	6982.57	7123.28	7228.72	7295.46	7339.61	7437.51	7529.07	7615.33	7723.04	7781.13
Canadian dollar	1.73534	1.75036	1.75776	1.75987	1.75978	1.76896	1.77231	1.77275	1.7828	1.77979
Colombian peso	1125.04	1137.28	1143.98	1144.67	1141.48	1146.59	1150.61	1152.47	1156.99	1154.08
Danish krone	8.16004	8.06808	8.03273	8.03003	8.06094	8.03964	8.08307	8.04731	8.03066	8.02337
Finnish markka	5.81165	5.74632	5.7232	5.72877	5.74761	5.72992	5.76239	5.72857	5.72022	5.70934
Greek drachma	261.633	259.129	258.416	258.578	259.541	258.623	260.027	258.684	258.274	258.064
Indian rupee	37.6819	38.0687	38.268	38.2657	38.1357	38.2833	38.3912	38.4329	38.5668	38.4534
Indonesian rupiah	2960.41	2989.32	3003.5	3003.32	2994.59	3006.18	3016.14	3019.41	3028.44	3021.02
Iranian rial	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3
Iraqi dinar	0.45244	0.457085	0.459478	0.45945	0.45789	0.459662	0.460958	0.461458	0.463065	0.461704
Irish pound	0.794856	0.788376	0.784637	0.786761	0.789257	0.788088	0.791872	0.785434	0.785178	0.784897
Italian lira	1607.24	1590.19	1585.27	1586.25	1594.36	1592.38	1598.6	1586.75	1581.52	1585.98
Korean won	1150.83	1162.79	1167.99	...	1158.95	1163.43	1167.9	1166.5	1169.67	1166.67
Kuwaiti dinar	...	0.429092	0.429506	0.429791	0.428964	...	0.431008	0.430689	0.431057	0.430607
Libyan dinar	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286
Malaysian ringgit	3.63472	3.66497	3.67677	3.67877	3.67113	3.68756	...	3.69811	3.7092	3.70023
Maltese lira	0.430699	0.428563	0.428013	0.427875	...	0.429116	0.430788	...	0.427848	0.428498
Nepalese rupee	62.1481	62.7861	63.1149	63.111	62.8967	63.1401	63.3181	63.3869	63.6078	63.4206
Netherlands guilder	2.37953	2.35882	2.3422	2.34132	2.34839	2.34579	2.35597	2.33552	2.33382	2.33735
New Zealand dollar	2.7003	2.7341	2.74536	2.72998	2.71789	2.73578	2.75113	...	2.75859	2.74845
Norwegian krone	8.34488	8.25262	8.21898	8.21552	8.24727	8.22743	8.27732	8.23287	8.21164	8.19938
Omani rial	0.559624	0.565369	0.568329	0.568295	0.566365	0.568556	0.57016	0.570779	0.572767	0.571082
Pakistan rupee	36.8673	37.0438	37.2376	37.2354	37.0349	37.1783	37.2831	37.3236	37.4536	37.3434
Portuguese escudo	185.139	183.56	181.2	180.452	181.64	181.406	182.923	181.764	181.289	181.684
Qatar riyal	5.29787	5.35226	5.38028	5.37996	5.36168	5.38243	5.39761	5.40347	5.42229	5.40635
Saudi Arabian riyal	5.4507	5.50665	5.53548	5.53515	5.51635	5.53789	5.55331	5.55934	5.5787	5.5623
Singapore dollar	2.34213	2.36102	2.38614	2.3657	2.35782	2.36631	2.37094	2.3704	2.37329	2.3684
South African rand	4.04546	4.05683	4.04778	4.0564	4.05283	4.05383	4.05933	4.05335	4.06448	4.06961
Spanish peseta	135.934	134.937	134.813	134.867	135.374	135.183	135.705	134.603	134.528	134.753
Sri Lanka rupee	64.2877	64.9182	65.2286	65.2394	65.0178	65.2694	65.4534	65.5245	65.9911	65.5445
Swedish krona	7.70666	7.62182	...	7.58958	7.61389	7.59677	7.64266	7.60049	7.58152	7.57319
Swiss franc	1.8739	1.8527	1.8358	1.85638	1.86628	1.86241	1.86892	1.84475	1.83673	1.84618
Thai baht	36.7358	37.0394	37.1742	37.1867	37.0899	37.2038	37.2643	37.2899	37.3751	37.3097
Trinidad and Tobago dollar	6.20117	6.26482	6.29763	6.29725	6.27586	6.30014	6.31791	6.32477	6.3468	6.32814
U.A.E. dirham	5.34299	5.39784	5.42611	5.42577	5.40735	5.42827	5.44358	5.44949	5.46847	5.45239
Venezuelan bolivar	98.9567	99.9872	100.54	100.712	100.532	100.891	101.131	101.464	101.772	101.562

Notes: 1. The value of U.S. dollar in terms of the SDR is the reciprocal of the sum of the dollar values, based on market exchange rates, of specified quantities of the first five currencies shown. The exchange rates used for this purpose are noon rates in the London foreign exchange market. When the London market is closed, noon rates in the New York market are used. Frankfurt fixing rates are used when the New York market is closed. 2. The value in terms of the SDR of each of the other currencies shown above is derived from that currency's representative exchange rate against the U.S. dollar as reported by the issuing central bank and the SDR value of the U.S. dollar, except for the Iranian rial and the Libyan dinar, the values of which are officially expressed directly in terms of the domestic currency units per SDR.

Data: IMF Treasurer's Department

1992, when the ruble was replaced by the new Estonian currency, the kroon. The successful establishment of a currency board has contributed to a more stable monetary environment, and the price liberalization process has been largely completed. Finally, the privatization of a large number of enterprises and the adoption of legislation to support a market economy have contributed to developing a rapidly expanding private sector, albeit from a very small base.

Recognizing that further measures were needed to stabilize and restructure the economy, and to facilitate obtaining the external financing required to ensure a successful transition to a market economy and set the stage for sustainable growth, the Government adopted a comprehensive economic program for the year beginning July 1, 1992. The program seeks to limit the fall in real output to 15 percent during the program period, slow the annual rate of inflation to about 6 percent by the end of the period, and raise Estonia's gross foreign reserves by mid-1993 to a level equivalent to more than two months of imports.

The authorities hope to stabilize the economy through completion of price reform, restrictive fiscal policies, maintenance of monetary discipline, a tax-based incomes policy to contain excessive wage increases, and further liberalization of the exchange and trade system. The structural reform effort will include accelerating privatization through the establishment of a Treuhand-like privatization bureau, substantially completing restitution, reforming the financial sector, improving the social safety net, restructuring or closing nonviable enterprises and banks, and establishing a legal framework consistent with a market economy.

As part of the program, the Estonian Government has undertaken to review, by the end of 1992, the entire social security system, consistent with budgetary constraints. Its goal is to provide adequate benefits to the most vulnerable groups, rationalize the pension system, and design a system to retrain displaced workers.

Estonia joined the IMF on May 26, 1992, and its initial quota is SDR 31 million (about $45 million). Estonia has not previously used IMF resources.

Press Release No. 92/69, September 16

Currency Units per SDR

SEPTEMBER 4	7	8	9	10	11	14	15	16	17	Currency
2.10107	2.08091	2.07309	2.08056	2.09196	2.10452	2.14084	2.13433	2.14987	2.1459	Deutsche mark
7.12986	7.07564	7.05815	7.0935	7.11224	7.16624	7.30174	7.25139	7.36896	7.31092	French franc
182.028	182.485	183.121	181.801	181.823	182.201	180.986	...	178.844	178.432	Japanese yen
0.745651	0.742464	0.742885	0.746057	0.749957	0.754274	0.761952	0.76427	0.773866	0.808985	Pound sterling
1.46856	1.48181	1.48577	1.48167	1.47404	1.47359	1.44847	1.45173	1.43939	1.42917	U.S. dollar
1.45461	1.46773	1.47166	1.46759	1.46004	1.45365	1.43471	1.43794	1.42572	1.41559	Argentine peso
2.03177	...	2.07945	2.07024	2.04529	2.02762	1.97743	1.99058	1.96397	1.9583	Australian dollar
14.8236	14.6373	14.5799	14.6463	14.7492	14.805	15.0641	15.0022	15.1179	15.1535	Austrian schilling
0.552179	0.557161	0.55885	0.557108	0.554239	0.551814	0.544625	0.54585	0.541211	0.537368	Bahrain dinar
57.2738	57.7908	57.945	57.7851	57.4876	57.236	56.4903	56.6175	56.1362	55.7378	Bangladesh taka
43.1573	42.9095	42.753	42.9684	43.2668	43.3563	44.1747	43.9838	44.0453	44.5222	Belgian franc
7775.44	...	7949.46	8010.06	8052.24	8101.24	8080.	8183.84	8200.64	8229.59	Brazilian cruzeiro
1.76036	...	1.78961	1.80008	1.79759	1.79222	1.75497	1.76864	1.75838	1.73987	Canadian dollar
1141.73	1152.45	1156.09	1153.64	1148.31	1143.96	1129.71	1132.8	1123.95	1116.65	Colombian peso
8.08809	8.04475	8.01201	8.04102	8.10943	8.13338	8.25555	8.22841	8.24051	8.37565	Danish krone
5.75382	5.73609	6.70082	6.63047	6.62581	6.42071	6.62675	6.49649	6.70036	6.89575	Finnish markka
260.229	259.109	258.442	258.981	260.802	261.525	266.316	265.739	267.036	268.827	Greek drachma
38.021	38.3641	38.4666	38.3604	38.1629	37.9959	37.5009	37.5853	37.2658	37.0012	Indian rupee
2987.05	3014.	3022.06	3013.72	2999.67	2988.01	2950.53	2957.17	2936.36	2916.94	Indonesian rupiah
92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	Iranian rial
0.456513	0.460631	0.461862	0.460588	0.458216	0.456211	0.450267	0.451281	0.447445	0.444268	Iraqi dinar
0.792403	0.786273	0.78252	0.786407	0.786826	0.79395	0.80884	0.802948	0.813261	0.816016	Irish pound
1607.26	1588.48	1583.58	1591.72	1602.32	1610.89	1694.89	1714.46	1754.98	...	Italian lira
1154.44	1163.37	1166.33	1162.37	...	...	...	1141.06	1131.36	...	Korean won
...	0.429918	0.431066	...	...	...	0.427632	0.426794	0.424419	0.422806	Kuwaiti dinar
0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	0.414286	Libyan dinar
3.66435	3.694	3.70298	...	3.67626	3.66721	3.62885	3.6486	3.6169	3.59979	Malaysian ringgit
0.426895	0.428232	...	0.426368	0.427766	0.432815	0.439797	0.43644	0.437824	0.454788	Maltese lira
62.7075	63.2733	63.4424	63.2673	62.9415	62.6861	61.8497	61.9889	61.462	61.0256	Nepalese rupee
2.30079	2.34641	2.33697	2.34888	2.35183	2.37339	2.4259	2.40581	2.43444	2.40815	Netherlands guilder
2.71553	2.73044	2.75802	2.73724	2.71213	...	2.62499	2.65156	2.63578	2.61083	New Zealand dollar
8.26652	8.22256	8.20219	8.24475	8.30327	8.31903	8.47862	8.4556	8.51111	8.70579	Norwegian krone
0.564661	0.569756	0.571279	0.569702	0.566766	0.564288	0.556937	0.55819	0.553445	0.549516	Omani rial
36.9238	37.2567	37.3563	37.2532	37.0613	36.8962	36.4184	36.5004	36.1902	35.9332	Pakistan rupee
183.396	181.778	181.451	182.53	183.474	184.234	186.912	187.447	188.89	190.008	Portuguese escudo
5.34556	5.38379	5.4082	5.39328	5.36551	5.34203	5.27243	5.2843	5.23938	5.20218	Qatar riyal
5.49978	5.54938	5.56421	5.54885	5.52028	5.49612	5.42452	5.43673	5.39052	5.35224	Saudi Arabian riyal
2.345	2.36423	2.36951	2.35837	2.34947	2.34315	2.31929	2.31653	2.30331	2.29296	Singapore dollar
4.03046	4.07275	4.07101	4.07533	4.08235	4.08357	4.0673	4.05759	4.0598	4.06313	South African rand
136.275	135.147	134.721	135.247	135.593	136.762	139.382	138.947	145.453	149.923	Spanish peseta
64.8222	65.4071	65.5819	65.3861	65.0494	64.7647	64.0224	64.1065	63.6498	63.3122	Sri Lanka rupee
7.63945	7.60109	...	7.61504	7.66017	7.68283	7.85143	7.83281	7.86556	8.04337	Swedish krona
1.87829	1.85449	1.84458	1.84172	1.85758	1.86384	1.89605	1.89015	1.88517	1.87507	Swiss franc
36.949	37.2379	37.3374	37.2047	37.0868	36.9833	36.6028	36.6562	36.3734	36.1866	Thai baht
6.25696	6.31344	6.33031	6.31284	6.28033	6.25285	6.17139	6.18528	6.1327	6.08916	Trinidad and Tobago dollar
5.39108	5.43972	5.45426	5.43921	5.4112	5.38752	5.31733	5.3293	5.284	5.24648	U.A.E. dirham
100.523	...	102.147	101.791	101.311	100.823	99.5823	99.9228	99.174	98.6127	Venezuelan bolivar

Notes: 1. The value of U.S. dollar in terms of the SDR is the reciprocal of the sum of the dollar values, based on market exchange rates, of specified quantities of the first five currencies shown. The exchange rates used for this purpose are noon rates in the London foreign exchange market. When the London market is closed, noon rates in the New York market are used. Frankfurt fixing rates are used when the New York market is closed. 2. The value in terms of the SDR of each of the other currencies shown above is derived from that currency's representative exchange rate against the U.S. dollar as reported by the issuing central bank and the SDR value of the U.S. dollar, except for the Iranian rial and the Libyan dinar, the values of which are officially expressed directly in terms of the domestic currency units per SDR.

Data: IMF Treasurer's Department

Azerbaijan: New Member. The Azerbaijan Republic became a member of the IMF today when Mr. Badir Karaev, Minister of Finance, signed the IMF's Articles of Agreement in Washington. The initial quota of Azerbaijan in the IMF is SDR 78 million (about $112 million).

With the admission of Azerbaijan, the membership of the IMF now totals 170 countries. The total of members' quotas in the IMF is SDR 97,208 million (about $139,920 million).

Press Release No. 92/70, September 18

Uzbekistan: New Member. Uzbekistan became a member of the IMF today when Mr. Faizullah M. Mulladzhanov, Chairman of the Board of the Central Bank, signed the IMF's Articles of Agreement in Washington. The initial quota of Uzbekistan in the IMF is SDR 133 million (about $191 million).

With the admission of Uzbekistan, the membership of the IMF now totals 171 countries. The total of members' quotas in the IMF is SDR 97,341 million (about $140,112 million).

Press Release No. 92/71, September 21

Turkmenistan: New Member. Turkmenistan became a member of the IMF today when Mr. Redjep Saparov, Deputy Head of the Cabinet of Ministers, signed the IMF's Articles of Agreement in Washington. The initial quota of Turkmenistan in the IMF is SDR 32 million (about $46 million).

With the admission of Turkmenistan, the membership of the IMF now totals 172 countries. The total of members' quotas in the IMF is SDR 97,373.05 million (about $140,158 million).

Press Release No. 92/73, September 22

Hungary to Chair 1993 Annual Meetings

Hungary's Finance Minister Mihaly Kupa has been named Chairman of the Annual Meetings for 1993. Mexico and Zimbabwe will name Vice-Chairmen.

IMF Executive Board Membership. The Board of Governors of the IMF today approved a Resolution effectively increasing the IMF's Executive Board membership from 22 to 24. The Resolution provides for 19 elected Executive Directors. Along with the 5 Executive Directors who are appointed by their respective governments, the total size of the Executive Board's membership will now rise to 24. Regular elections of Executive Directors take place at two-year intervals, with the Board of Governors adopting regulations for the conduct of these elections.

In exercising its power to increase the number of Executive Directors to be elected, the Board of Governors has been guided by the Articles of Agreement, which call upon the IMF to ensure that the size of the Executive Board contributes to the effective dispatch of its business while maintaining balance in its composition.

Balloting for the election of Executive Directors will be held on Wednesday, September 23, 1992, and the two-year term of office of elected Executive Directors will commence on November 1, 1992. The Board of Governors also resolved that the next regular election of Executive Directors shall take place at the Annual Meeting of the Board of Governors in 1994.

Press Release No. 92/74, September 22

San Marino: New Member. The Republic of San Marino became a member of the IMF today when Mr. Clelio Galassi, Secretary of State for Finance and Budget, signed the IMF's Articles of Agreement in Washington. The initial quota of San Marino in the IMF is SDR 6.5 million (about $9 million)

With the admission of San Marino, the membership of the IMF now totals 173 countries. The total of members' quotas in the IMF is SDR 97,379.5 million (about $140,167 million).

Press Release No. 92/75, September 23

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